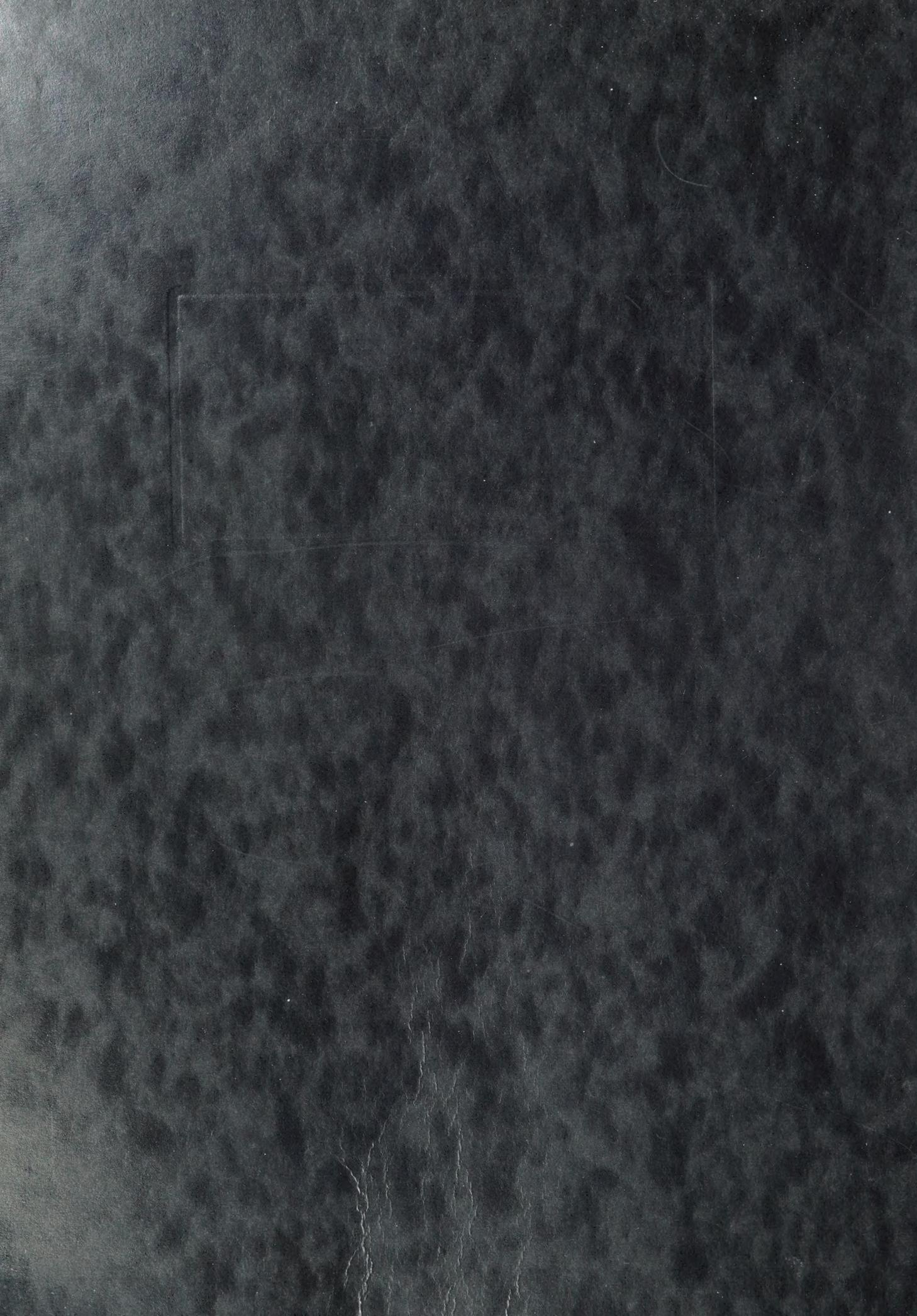


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HAMILTON-WENTWORTH REGIONAL  
MUNICIPALITY, ONT. DEPT. OF PLANNING  
AND DEVELOPMENT.

DEVELOPMENT CHARGES POLICY  
STUDY.



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REGIONAL MUNICIPALITY OF HAMILTON-WENTWORTH  
DEVELOPMENT CHARGES POLICY STUDY

MAY, 1986

C.N. WATSON AND ASSOCIATES LTD.  
ECONOMISTS

IN ASSOCIATION WITH  
WILLMS & SHIER,  
BARRISTERS & SOLICITORS

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May 14, 1986

Mr. John A. Gartner, M.C.I.P.  
Chairman  
Development Co-ordinating Committee  
Regional Planning and Development Department  
14th Floor  
119 King St. W.  
HAMILTON, Ontario  
L8N 3V9

Dear Sir:

Re: Regional Municipality of Hamilton-Wentworth  
Development Charges Policy Study

We are pleased to enclose twenty copies of the above-mentioned report, which has been finalized following the May 6, 1986 Development Co-ordinating Committee meeting.

We believe that the approach recommended in the report is sound and will assist the Region in providing the capital works required by anticipated residential development.

We look forward to the opportunity of presenting this document to Council and its Committees later in the spring and to the ultimate adoption of new development charge policy for the Region.

Yours truly,

C.N. WATSON & ASSOCIATES LTD.



C. N. Watson, C.M.C.

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- A AMO Reports 82-6 "Municipal Lot Levies: An Update"
- B "Urban Development Institute Position on Lot Levies" Under Separate Cover
- C Documents Relating to Consultation with the Hamilton and District Home Builders' Association
- D Review of the Basis for Regional Development Charge Policy in Ontario

## ACKNOWLEDGEMENTS

The consultants would like to extend their appreciation to Mr. John A. Gartner, Chairman of the Regional Development Co-ordinating Committee, who acted as Study Co-ordinator and provided very valuable guidance and assistance throughout this six month review. All of the members of the Committee and other Regional staff were most helpful and co-operative as we familiarized ourselves with the development situation in Hamilton-Wentworth. Finally, we appreciate the constructive involvement in the study by representatives of the Hamilton and District Home Builders' Association.

REGIONAL MUNICIPALITY OF HAMILTON-WENTWORTH  
DEVELOPMENT CHARGES POLICY STUDY  
EXECUTIVE SUMMARY AND POLICY RECOMMENDATIONS

MAY, 1986

C.N. WATSON AND ASSOCIATES LTD.  
ECONOMISTS

IN ASSOCIATION WITH  
WILLMS & SHIER  
BARRISTERS & SOLICITORS

EXECUTIVE SUMMARY

## Definition

1. Development charges or lot levies are capital contributions paid to the Region by those creating additional building lots. The ultimate occupants of the new construction involved, generate the need for increased Regional capital spending. This spending is for enlarged plants and mains, roadways and hospitals. Some of these works are financed through existing reserve funds and tax increases. Development charges are imposed in order that tax increases are moderated and a reasonable share of the costs involved are financed directly from those benefitting from the increased spending. Like local improvement charges, development charges represent a "User Pay" approach to capital financing.

## Current Regional Policy

2. For single and semi-detached dwellings, the Region charges \$0.40 per square metre of lot size for each of: sanitary sewer, storm sewer, and water services, where provided. All development is charged \$0.40 per square metre for general Regional services. Other (higher density) units pay these same charges plus \$55 for each of the four services, as an additional "density charge". Land severances are charged \$170 per service. High density infill development is charged \$55 per service. In addition, local improvement charges are imposed for sewer and watermains which abut development.
3. Typically, for a single detached subdivision lot, the development charge is \$745 in Hamilton, \$560 in Dundas, Stoney Creek, Ancaster and Flamborough and \$185 in Glanbrook. The differences exist because the storm drainage charge applies only in Hamilton and development in Glanbrook is unserviced. The maximum charge is \$1,264 per lot, for lots of 790 m<sup>2</sup> or larger. Apartment units are typically charged \$300-400 per unit. 50% of this charge is to be paid at the time of execution of the subdivision agreement, with the balance paid one year later.
4. These rates have been in place since 1977 and Regional policy has not been fundamentally altered since its introduction 12 years ago.
5. Development charges are imposed by the area municipalities, in addition to the Region's charge. Hamilton and Glanbrook each charge \$500 per lot, while Dundas, Stoney Creek, Ancaster and Flamborough each charge \$1,000-1,250 per lot. As a result, total development charges in Hamilton-Wentworth are normally in the \$1,250-1,800 range.

## Total Development Charges

EXECUTIVE SUMMARY (Cont'd)

## Policy Elsewhere

6. Total development charges in Hamilton-Wentworth are generally slightly below those in Niagara, Waterloo and Haldimand-Norfolk and are substantially below those in Durham, Ottawa-Carleton, Peel, Halton and York Regions. Charges in the \$4,000-6,000 per lot range are frequently imposed in the latter areas.
7. Regional development charges for sanitary sewer, water, roads and hospitals are commonly imposed by regional municipalities. Charges for other services, such as waste disposal, police, administration and works facilities are levied less frequently and normally represent less than 10% of the total charge.
8. The Regional share of total development charges should be relatively high in Hamilton-Wentworth since the Region:
  - has a broader range of responsibilities including, in some cases, storm drainage, libraries and transit;
  - has its own extensive waste disposal facilities and road network, as well as full sewer and water provision responsibilities;
  - accepts cost sharing responsibility for subdivision pipe oversizing in many instances.
9. The current Regional development charges are outdated and are little more than sufficient to cover the Region's share of subdivision pipe oversizing costs. At the same time, the Region is faced with significant capital spending requirements many of which have been triggered by the needs of growth and/or over-sized to provide additional capacity for anticipated growth. These include:
  - More than \$30,000,000 in sanitary and storm sewer and water projects, such as Pumping Station WH6B, the Cootes Drive Watermain, Reservoir W-AOA, the King Street S.T.P., the Clappison's Corners Sanitary Trunk, the Red Hill Creek North Branch Trunk, the Iona Trunk, the Mt. Hope sewers, the Twenty Mile Creek Storm Outlet Works and the Red Hill Creek North Branch Trunk Storm Sewer;

## The Need for Higher Charges

EXECUTIVE SUMMARY (Cont'd)

- \$33,000,000 in Regional road widening and improvement costs, particularly in the Hamilton Mountain residential area. This work is required to provide a basic four lane arterial road system to service adjacent development;
- The \$205,000,000 hospital construction program;
- The \$150,000,000 East-West/North-South Expressway.

## The Alternative

10. It is expected that during the next 15 years Regional development charges will be collectable on more than 20,000 housing units. Increasing charges in the order of \$800 per unit, as recommended herein, will generate approximately \$16,000,000 in additional contributions toward the aforementioned capital expenditures. The alternative is for industrial/commercial, as well as residential taxpayers, to continue to subsidize new development. This would involve financing virtually all of these works through a tax levy increase, in addition to the substantial capital financing requirements not pertaining to development charges.

## The Recommended Charges

11. The Policy Recommendations section of this report recommends the institution of a uniform residential development charge (for serviced development) of \$1,305 per single and semi-detached lot. This charge is increased by \$605/lot in Hamilton as a contribution toward storm drainage costs. It is reduced to \$588/unit for unserviced development and to \$499-1,348 per unit for (serviced) apartment development, depending on size and location.
12. The Region should continue to impose charges on commercial-industrial development, on an area-specific basis, such as local improvement charges, rather than through a uniform development charge.
13. In order to limit the impact of an increase in Regional development charges:
  - a) The development charge increase should be instituted in two steps, with 70% of the recommended charge levied commencing four months after Council adoption of the new policy and the full charge levied commencing sixteen months after Council adoption of the new policy;
  - b) Only 25% of the applicable charge should be collected at the time of execution of the subdivision agreement, with the balance collected twelve months later (instead of 50% at the time of execution and 50%, 12 months later, as at present).

EXECUTIVE SUMMARY (Cont'd)Impact of the  
Proposed Increase

14. Several meetings have been held concerning this study, with the Hamilton and District Home Builders' Association (HUDAC) over the past year. At these meetings it was acknowledged that:
  - a) The Region and the City of Hamilton are considered to be among the most helpful municipalities in Ontario with respect to development;
  - b) The industry is generally willing to pay uniform levies Region-wide for specific growth-oriented projects such as the North-South/East-West Freeway and capital projects to open up new areas.
15. It is difficult to establish with absolute certainty the impact that an increase in Regional development charges will have on lot and/or house prices, or on development activity in the Region. However, total development charges in Hamilton-Wentworth are comparatively low (as both a percentage of land and housing prices in Hamilton-Wentworth vs. the regions which surround it) and, in our view, can be increased to the recommended levels, without having significant impact on the market.
16. This report has established development charge requirements in a fair and conservative manner, including:
  - focus only on residential growth-related capital costs, net of all applicable grants;
  - reduction of the charge to provide a credit for property tax/user rate payments;
  - use of the full new development population to calculate the charge per capita and the smaller, net Regional population increase to calculate capital spending requirements;
  - use of only the largest and clearest growth-related capital requirements as the basis for the calculation;
  - Reduction of the charge where the average occupancy for a type of housing unit is less than the single detached average.
  - reduction of the charge where full services are not provided to a lot.

EXECUTIVE SUMMARY (Cont'd)

17. A uniform development charge policy soundly based on specific growth-related capital programs is a form of encouragement to development in Hamilton-Wentworth, in that it:

- is predictable, rational and fair;
- specifically allocates additional funds which are to be used only to expedite the construction of growth-related Regional works;
- shows the Region to be progressive and forward-looking relative to providing services for growth.

POLICY RECOMMENDATIONS

It is recommended that the Region:

- |                                      |   | Charges<br>Commencing<br>4 Months<br>After<br>Adoption of<br>New Policy                   | Charges<br>Commencing<br>16 Months<br>After<br>Adoption of<br>New Policy |
|--------------------------------------|---|---|--|
| 1. Development Charge Quantum        | a) Increase its development charges in two steps, as follows:   |   |  |
|                                      | a) Single Detached, . serviced develop.-Hamilton<br>Semi-Detached & . serviced develop.-elsewhere<br>Townhouse Units . unserviced development   | \$ 1,337<br>913<br>411  | \$ 1,910<br>1,305<br>588   |
|                                      | b) One Bedroom & Bachelor Apartments  | . serviced develop.-Hamilton<br>. serviced develop.-elsewhere<br>. unserviced development | 511<br>349<br>N/A  |
|                                      | c) Two & Three Bedroom Apartments   | . serviced develop.-Hamilton<br>. serviced develop.-elsewhere<br>. unserviced development | 944<br>645<br>N/A  |
|                                      | b) Only impose the full development charge on residential lots provided with sanitary, storm sewerage and water services. The charge should be reduced, based on the data in Table 7-1, where one or more of these services will not be provided within 12 months of plan registration. |   |  |
|                                      | c) Charge the Region's uniform levy to <u>all</u> residential development provided with Regional water or sewerage services. Where a Regional site specific water or sewer charge is imposed (e.g. Carlisle), credit this amount against the uniform charge.                            |   |  |
| 2. Industrial-Commercial Development | a) Continue to impose development charges on commercial-industrial development, on an area-specific basis, such as local improvement charges, rather than through the uniform development charge.   |   |  |
| 3. Collection Timing                 | a) For subdivision development, collect 25% of the applicable development charge at the time of execution of the agreement and the remaining 75%, twelve months later.  |   |  |

POLICY RECOMMENDATIONS (Cont'd)

4. Infill Development Charges
- a) Increase the charges imposed under section 215 of the Municipal Act ("Heavy Loading By-Law") against townhouse and apartment development, outside of plans of subdivision, so as to accord with the sewer and water components of the charges outlined in Recommendation #1.
  - b) Collect the monies referred to above at building permit issuance and maintain them in a separate reserve fund to be used only for water and sewerage purposes.
  - c) Alter the urban boundary applicable under the section 215 by-law to correspond with the urban service area as defined in the Official Plan.
5. Local Improvements
- a) Forego local improvement charges against new development, relative to projects already included herein in the development charge calculation.
6. Accountability
- a) Account separately for six different development charge components, as follows:
    - Sanitary Sewerage
    - Water
    - Storm Drainage
    - Roads
    - Cost Share for Subdivision Service Oversizing
    - Contribution to Hospitals
  - b) Expend development charge funds on a regular basis, as applicable growth-related projects are being financed.
  - c) Publish annually a full accounting of the collection and use of its development charges.
  - d) Expend development charge funds only on the growth-related projects identified in this report and/or in subsequent updates.
7. Policy Updating
- a) Automatically alter the Regional development charge each year, in accordance with the previous 12 months' change by an index such as the Southam Construction (which increased by 1.3% from March/85 to March/86).
  - b) Review its development charge policy every third year, with the first review commencing early in 1989.
8. Exceptions
- a) Through subdivision agreement, require that lands exempt from part lot control and blocks of land, pay the full development charge, based on the prevailing rate when the ultimate use of the lots is determined.
  - b) Apply the foregoing policy consistently and without exceptions.

## 1. INTRODUCTION

## 1. INTRODUCTION

### 1.1 Background and Study Purpose

The purpose of this study was defined in the Region's Terms of Reference of June 10, 1985 as follows:

"... To determine appropriate policies for development charges related to new development in the Regional Municipality of Hamilton-Wentworth." "For purpose of this study, the term 'development charge' means all capital costs applied to new development by the Region, including the developer's portion of cost-sharing arrangements between the Region and the developer."

Matters to be addressed in the study, include:

- current legal decisions and legislation, including proposed revisions to the Local Improvement Act;
- a comparison of development charges in Hamilton-Wentworth with those within Durham, Halton-Norfolk, Halton, Niagara, Peel and York Regions;
- a review of existing Regional development charges and the principles on which policy should be based;
- A determination of all past and future growth-related Regional capital expenditures and, in particular, those relevant to the determination of development charges;
- a review of the appropriateness of the use of local improvement charges to finance capital works required for new development;
- an evaluation of the impact of alternative development charge policy on the amount and rate of future development in the Region;
- a review of the administration of development charges, including the timing of the collection of lot levies, determination of the most appropriate administrative practices applicable to reserve funds and the most appropriate policy for keeping development charges current;
- a recommendation of the optimal development charges policy for the Region and an outline of the by-laws and policies required to implement the study recommendations.

## 1. INTRODUCTION

### 1.2 Study Approach

The schematic diagram on page 1-4 outlines the general approach followed in the Region of Hamilton-Wentworth development charge policy study.

The key elements of the approach include:

- a) Establishment of a set of development charge principles which underlie the policy and are considered to be fair and legally acceptable;
- b) Review of the Region's experience with its development charge policy during the past twelve years, so as to be in a position to build logically on this experience, preserving the desirable aspects and making improvements where necessary;
- c) Review of development charge practise in Ontario in order to learn from the experience of others and to acquire perspective on the Hamilton-Wentworth requirements;
- d) Consultation with the local development community so as to ensure that their problems, views and characteristics are considered in the course of establishing new policy;
- e) Examination of the potential impact of a change in the Region's development charges on the real estate market involved;
- f) Focus on growth-related capital costs excluding capital costs directed to the benefit of the existing community and operating costs (both of which are financed through the tax base and/or user rates);
- g) Adoption of a project-related approach wherever possible, which addresses the specifics of what has in fact been done or is being actively planned;
- h) Use of a long-term planning period (1986-2001) in order to embrace all foreseeable requirements, while evening out the financial peaks and valleys;
- i) Use of per capita cost figures which can readily be related to different forms of development, based on average occupancies;

## 1. INTRODUCTION

### 1.2 Study Approach (Cont'd)

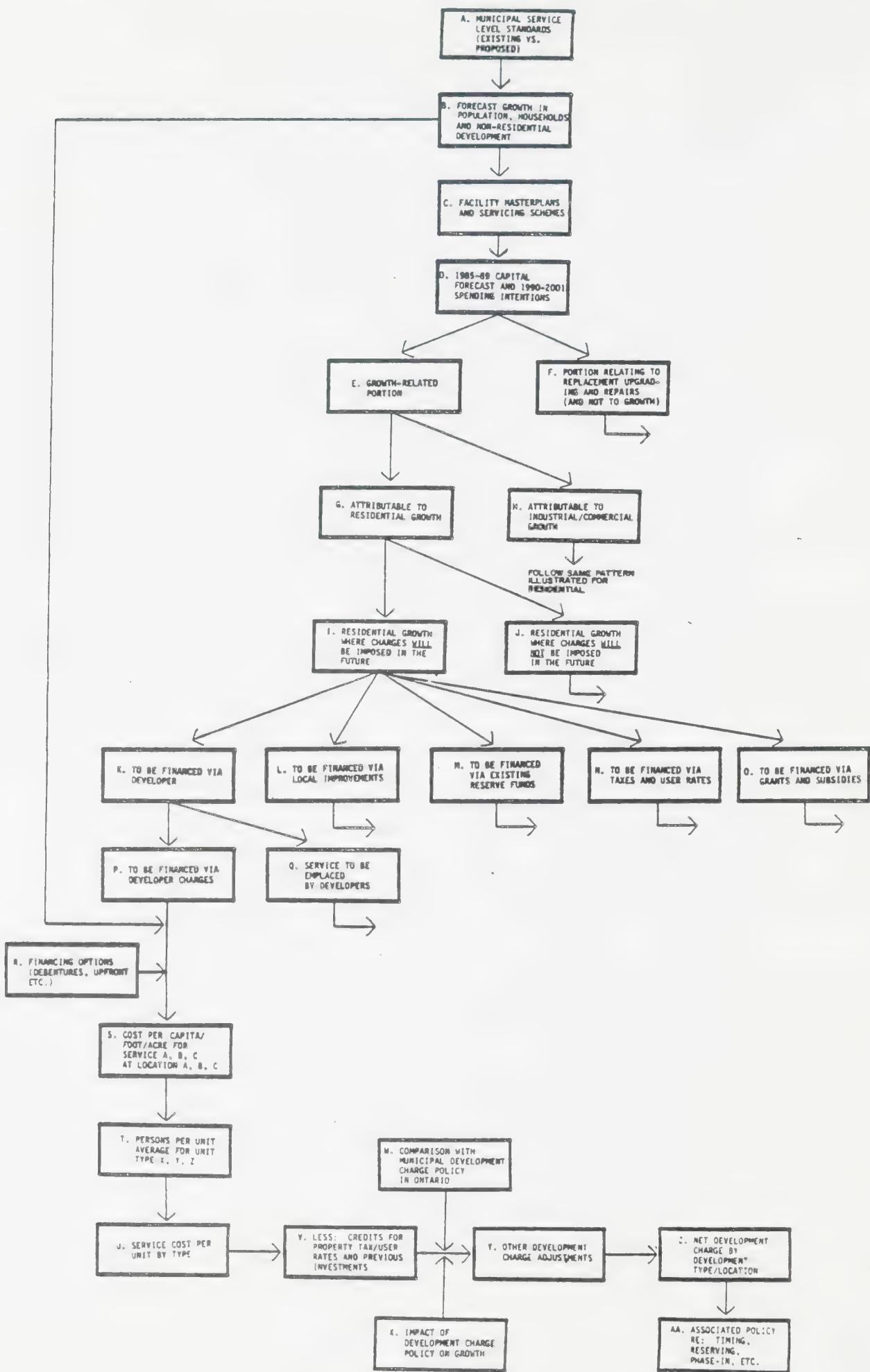
- j) Reduction of the charge to allow for anticipated grants, a credit for the capital component on property taxes to be imposed and other factors;

Six meetings were held with the Development Co-ordinating Committee during the course of this seven-month study, to review data, discussion papers and several drafts of the report (September 6, October 15, December 3, January 15, March 21 and April 16). In addition, two special meetings of the Development Co-ordinating Committee were held with representatives of the Hamilton and District Homebuilders' Association to discuss development trends and concerns, as well as development charge policy issues (October 2 and November 26 - Appendix C). Finally, more than two dozen meetings were held with Regional staff members, in order to establish a factual basis concerning forecast expenditures, population growth, reserve fund activity, existing policy, subdivision agreements and other related matters.

As a result, the policy recommended herein is considered to be fair to all concerned -- the Region and its ratepayers, as well as the development community and its market.

**SCHEMATIC OUTLINE OF APPROACH TO  
REGION OF HAMILTON-WENTWORTH DEVELOPMENT CHARGE STUDY**

1-4



## 1. INTRODUCTION

### 1.3 Current and Previous Regional Policy

The basic components of the Region's current development charge policy are outlined in Figure 1, with data on 1980-85 expenditures and revenues included, where available. Residential development is subject to a variety of different types of charges depending on whether it occurs under a plan of subdivision (or condominium), through severance or as infill in a designated urban special charge area. Exceptions are involved for the "Saltfleet" Community, the Red Hill Creek Sewer Area and for designated rural development areas such as Carlisle and Freelton. Industrial-commercial development is largely exempt from the foregoing, but is subject to local improvement charges.

Each of the components of the Region's development charge policy is discussed below.

#### A. Subdivision Lot Levies or Capital Charges (The Land Area Rate)

On April 16, 1974, Regional Council approved the following Interim Lot Levy Policy:

Type of Use	In areas where full urban services are available	In areas where no sanitary or storm sewers are available	In areas where neither sanitary nor storm sewers are available	Notes
Single family Semi-detached Townhouse	\$500	\$300	\$100	To be collected for plans of subdivision and lots Land Division Committee
Other Residential Units (Apartments, etc.)	\$300	\$200	\$100	
Lots for Uses other than Residential	\$.15 per sq.ft. of lot area	\$.09 per sq.ft. of lot area	\$.03 per sq.ft. of lot area	Only collected for plans of subdivision

FIGURE 1

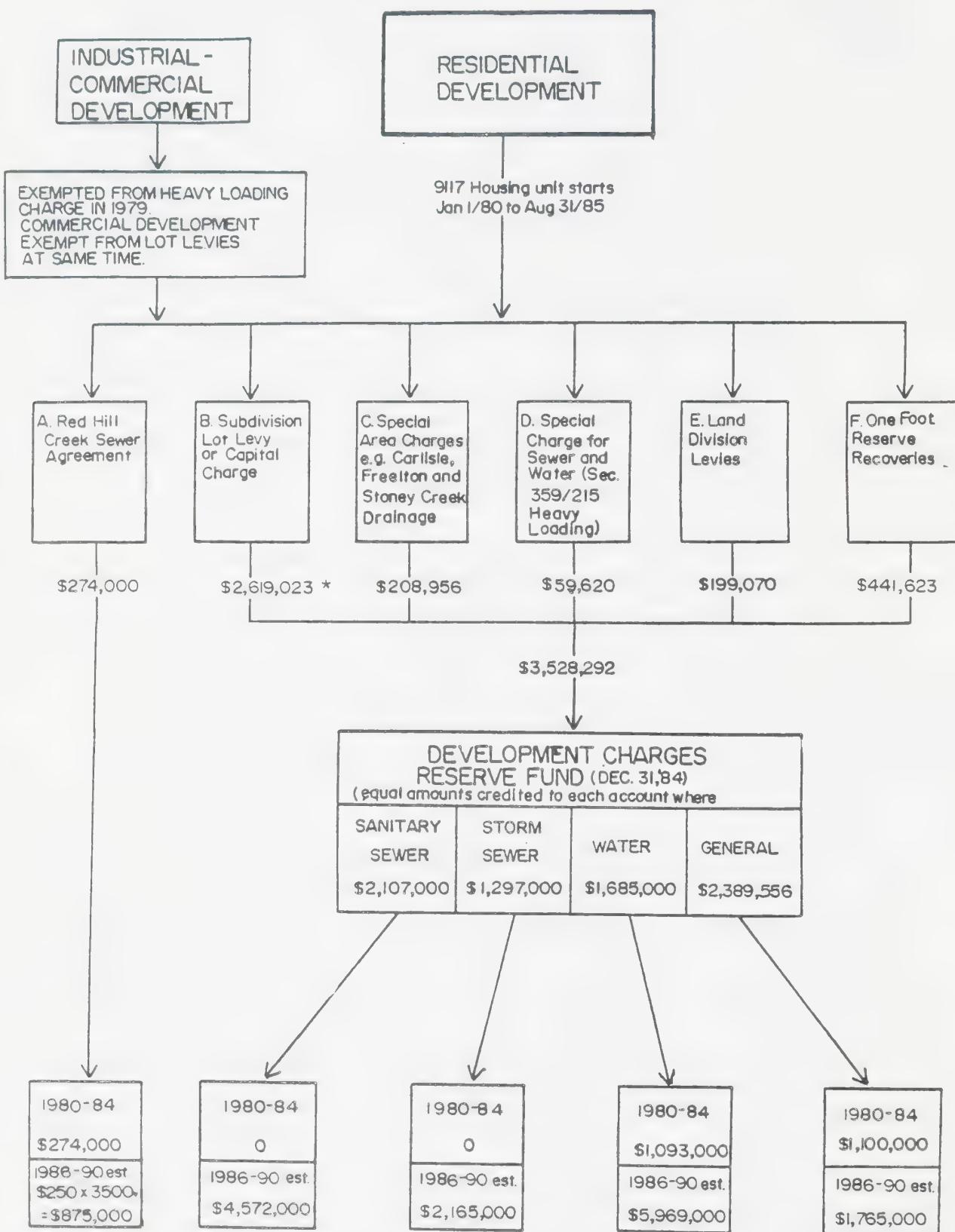
REGIONAL MUNICIPALITY OF HAMILTON-WENTWORTH  
FLOW OF DEVELOPMENT CHARGE FUNDS 1980-1985 (Sept. 30)

COURT HOUSE

COURT HOUSE

COURT HOUSE

SPLAZING



\*plus \$655,539 in local improvement charges from subdividers.

## 1. INTRODUCTION

### 1.3 Current and Previous Regional Policy (Cont'd)

On May 7, 1974, Regional Council approved "Policy Concerning Services in Non-Industrial Subdivisions" to the effect that:

- The subdivider shall install or pay the cost of installing 28' wide low traffic volume pavement on Regional roads within the plan; up to and including 18" diameter sanitary sewers, including connection to an outlet; up to and including 42" diameter storm sewers including connection to an outlet; up to and including 8" diameter watermains. The Region shall pay road overwidth and additional strength and shall pay oversize above 18" diameter sanitary sewers, 42" diameter storm sewers; and 8" diameter watermains.

On July 6, 1976, a report approved by Regional Council was premised on the assumption that "... new development creates an added cost to the Municipality and as such should be expected to contribute to the extent that it adds to this cost." Concern was expressed as to existing policy which was chargeable against lands developed under plan of subdivision and land division, but could not be applied to lands redeveloped at a higher density.

The basic levy was 2.0¢ per sq.ft., not to exceed an average of \$250 per unit in a given subdivision plus 3.0¢ per sq.ft. where full public water system was available (excluding communal wells) plus 3.0¢ per sq.ft. where sanitary sewers were available plus 3.0¢ per sq.ft. where regional storm sewers were available. The total area of the subdivision was to be used in the square footage calculation.

The charge was not applicable to industrial lands, lands transferred to a public body or lots with existing dwellings to remain.

50% of the charge was payable at the time of the execution of the agreement, with the balance six months later.

In July 1977, this policy was adjusted to increase the Basic Levy from 2.0¢ per sq.ft. to 3.75¢ per sq. ft. and the three possible increments from 3.0¢ per sq.ft. to 3.75¢ per sq.ft. of land area, in each case.

Any block or lot used for one dwelling unit was charged to a maximum equivalent of 8,500 square feet, or \$1,275.

## 1. INTRODUCTION

### 1.3 Current and Previous Regional Policy (Cont'd)

In September 1983, Regional Council considered the removal of lot levies on rental development for a period of one year, but the recommendation was not accepted.

On July 17, 1984 the present policy of requiring payment of 50% of the area levy 6 months after the execution of a Subdivision Agreement was extended by Regional Council to 12 months.

Schedule "G" of the Region's current Subdivision Agreement makes a Part 'A' calculation based on square metres for the gross lot levy with a cash payment amounting to 50% of the gross lot levy payable at the time of execution. This charge is the land area charge, where the land is subject to an area charge based on the services provided.

The Part 'B' calculation requires a security deposit for 50% of the gross lot levy at the time of execution, with the cash payable 12 months after execution. This component relates to unit charges, payable on a unit or square metre basis. In the case of units other than single or semi-detached, the density charge amounts to \$55 per service involved. In the case of single and semi-detached units (which are exempt from this density charge because their land area charge is larger) the charge represents the final 50% of the land area charge, which is calculated at  $\$0.40/m^2$  for each Regional service provided. These calculations are made pursuant to Section 36 of the Planning Act for the provision of Regional Municipal services and are payable by the subdivider as lot levies.

The Region's current development charge policy is summarized on the next page.

### B. Saltfleet Community and Red Hill Creek Sewer Agreement

A January 11, 1972 agreement between Ontario Housing Corporation and the City of Hamilton dealt with sewers, easements and roads required for the Saltfleet Community Development and the development of other lands in the east Mountain portion of the City. O.H.C. agreed to advance \$9,064,000 to cover the total cost of sewers and easements as part of the Red Hill Creek Extension. The City's share was estimated at \$7,174,310 and O.H.C.'s share at \$1,889,690. The work was to be constructed between 1971 and 1975.

DEVELOPMENT CHARGE POLICY SUMMARY  
FOR THE REGIONAL MUNICIPALITY OF HAMILTON-WENTWORTH

a) Rates<sup>2</sup> Effective as of July, 1977

	Plans of Subdivision		Land Severances	Mun. Act s. 215		
	Other Units					
	Single and Semi-Detached Dwellings <sup>1</sup>	Density Area Charge + Charge				
Regional Sanitary Sewer	\$0.40/m <sup>2</sup> land	\$0.40/m <sup>2</sup> land \$ 55	\$170	\$ 55		
Regional Storm Sewer (Hamilton only)	\$0.40/m <sup>2</sup> land	\$0.40/m <sup>2</sup> land \$ 55	\$170	\$ 55		
Regional Water	\$0.40/m <sup>2</sup> land	\$0.40/m <sup>2</sup> land \$ 55	\$170	55		
General Regional Services	\$0.40/m <sup>2</sup> land	\$0.40/m <sup>2</sup> land \$ 55	\$170	\$ 55		
	\$1.60/m <sup>2</sup> land	\$1.60/m <sup>2</sup> land \$220	\$680	\$220		

<sup>1</sup>Charged up to a maximum lot size of 790 m<sup>2</sup>, which would be charged \$1,264. For a more standard 5,000 square foot lot, the charge would be \$743.50.

<sup>2</sup>50% of the charge is to be paid at the time of execution of the agreement and 50% twelve months later.

## 1. INTRODUCTION

### 1.3 Current and Previous Regional Policy (Cont'd)

Repayment to O.H.C. by the Region regarding the Red Hill Creek sewer was to occur at the subdivision execution stage at \$250 for each residential unit developed in a plan of subdivision in the City of Hamilton. The aforementioned funds were to be financed 40% from the density charge and 20% each from the sewage, water and storm sewer land area charge.

In July 1977 the Saltfleet Community was exempted from 50% of the 11.25¢ per sq.ft. land area charges as long as the charges levied under the 1971 external service agreement were in effect. The land area charge for these lands was subsequently converted to \$0.80 per m<sup>2</sup>.

### C. Special Area Charges

In September 1978 Regional Council determined that in return for the Region constructing an elevated water storage tank in Carlisle, subdividers within the village were required to pay \$1,200 per unit, with no other change in standard levies.

In May 1981, a \$1,200 special levy was imposed against the "Noble Kirk Farm" subdivision in Flamborough, in view of Council's decision to supply the Freelton area with municipal piped water and a water storage facility. The developer was also required to pay the total cost of the proposed public watermains and to install a communal well and pumping station, with payment of the \$1,200 levy, phased over two years.

### D. Special Charge for Sewer and Water ("Heavy Loading" or Density Charge)

On Sept. 7, 1976, Regional Council gave its approval to By-law No. R76-137 imposing a special charge on certain residential and non-residential buildings in the amount of \$180 for each dwelling unit and \$0.30 per square foot of gross floor area for non-residential uses. This charge is under s.359 of the Municipal Act for buildings (other than one and two family dwelling units, units developed through plan of subdivision, buildings on land outside the urban service area and institutional buildings) that impose a heavy load on the Regional water, sanitary and storm sewer systems. The charge was payable at the time of the issuance of the building permit or in not more than five equal annual and consecutive instalments, including interest thereon.

## 1. INTRODUCTION

### 1.3 Current and Previous Regional Policy (Cont'd)

In July 1977, By-law No. R77-117 was passed amending By-law R76-137 by adding Regional Urban Servicing Area No. 3 in Ancaster to the area to be covered by the heavy loading by-law. At the same time, the heavy loading charge was increased from \$180 per residential unit to \$220 per unit and from 30¢ per sq.ft. of gross building area to 37¢.

On January 16, 1979, Council agreed (and the O.M.B. subsequently approved) to an amendment to Special Charge By-law R76-137 to exempt commercial and industrial buildings effective January 1, 1979. The revenue reduction was to be compensated for via increased water and sanitary sewer rates to commercial and industrial users.

### E. Land Division Levies

As of July 6, 1976, under land division, the following levies were approved for single and semi-detached housing units:

\$100 per unit basic charge plus \$150/unit where public water service was provided, plus \$150 per unit where sanitary sewer service was provided, plus \$150 per unit where Regional storm sewer service was provided.

The charge was to be payable at the time of endorsement of the new deed and was not to be applied to lots on which an existing building was to remain.

In July 1977, the Land Division charges were increased from \$100/unit Basic Levy to \$170 per unit and from \$150 per unit for the three possible increments (for sanitary sewer, water and storm sewer services) to \$170 per unit. A one unit charge was to be imposed where the severance created a buildable parcel of land.

### F. Local Improvement Charges

In 1974, the Region determined that on highways, where a Regional facility was installed as Local Improvements or a rated Municipal Act services, the subdivider was required to commute the "owners" share. Where watermains have been, or are to be, installed without rating abutting lands in this way, and where one foot reserves are not involved, the charge was deemed to be \$12 per foot frontage and flankage beyond 75 feet, plus \$200 per installed service.

## 1. INTRODUCTION

### 1.4 Development Charge Policy Principles and Guidelines

The principles and guidelines set out below are derived from statutory and legal considerations and Cabinet policy on the subject, as established on December 19, 1986. They also relate to concepts of what is fair and reasonable in the context of the specific development and servicing requirements situation facing the Region of Hamilton-Wentworth.

#### 1. Statutory Basis

- a) There is statutory basis for charging levies as part of a subdivision, severance, condominium and infill (Heavy Loading By-law) approval. There is no statutory basis for charging levies as a condition of rezoning, although the practice is sometimes followed where a development increment is involved, by means of special agreement.

#### 2. General Intent

- a) The charge should relate (or bear a fair and reasonable connection) to the consequences of the development approval and the population which is expected to accrue as a result.
- b) The charge involved should be necessary for the purpose stated and it should be equitable, reasonable and relevant.

#### 3. Growth Related Capital Costs Per Capita Over Long Term Planning Period

- a) The development charge should be calculated based on applicable growth-related capital costs. The population involved is the expected occupancy of the new development during the planning period selected.
- b) Development charges should be calculated based on a suitable planning period of at least five years and preferably ten to fifteen years. An average levy calculated over such a period, smooths out the year to year financial peaks and valleys which would otherwise occur, while ensuring that the region is planning for its longer-term capital spending requirements.

## 1. INTRODUCTION

### 1.4 Development Charge Policy Principles and Guidelines (Cont'd)

#### 3. Growth Related Capital Costs Per Capita Over Long Term Planning Period (Cont'd)

- c) Charges are only leviable where additional development is created. For example, rental to condominium conversions where no additional units are provided, minor rezonings on developed sites and severances rearranging parcels without creating new building lots are not leviable. Also, charges cannot be levied on property where charges have been previously imposed.
- d) The requirements for most municipal services are directly related to population size, and since average occupancies vary considerably between different housing unit types (e.g. single-detached units vs. apartments), then development charges should vary accordingly.

Generally, development charges are to be established on a "benefits received" basis, relating to average occupancy and the demand for services, rather than on an "ability to pay" approach, relating to property assessment, average income, house/lot size or other measures of wealth. This can involve a heavier percentage burden being imposed upon lower-value residences, but is consistent with the requirement to relate the charge to the consequences of the development.

- e) Development charges can be based on growth-related capital costs, whether those costs have already been incurred or are yet to be incurred. Many municipal facilities have to be built in advance. Development charges can, therefore, be collected post-construction until the original debt is repaid, the fund is replenished. Relative to future construction, a municipality may use development charges to make reasonable reserve fund provisions so that funds are available to provide the project when it is needed.

## 1. INTRODUCTION

### 1.4 Development Charge Policy Principles and Guidelines (Cont'd)

#### 4. Existing Residents' vs. New Residents' Share

- a) Each new development should pay its fair share of the cost of servicing growth. This approach avoids causing future financial problems for the municipality or burdening present residents with the cost of facilities clearly built for purposes of future residential growth. Development charges should be established such that existing taxpayers are not significantly impacted by the capital requirements of growth.
- b) The intended use of the funds should be specific and the projects involved should be required, costed, scheduled, (if even according to growth thresholds) and allocated between the needs of the existing population and those of growth. The needs of the existing population are served, at least in part, through the repair or replacement of existing facilities, the provision of a new service (e.g. transit) or an upgraded standard of service (e.g. replacing open ditches with storm drainage pipes).

The needs of growth are met through oversizing in anticipation of the additional requirements which new residents and occupants will create. A project may be "triggered" by growth, but if it provides tangible benefit to the existing population, then only a portion of its cost should be borne via development charges.

- c) Development charges should not be used simply to maintain the general mill rate; that is, for purposes not considered reasonably attributable to, or justified by virtue of, the development.
- d) Residential growth should bear only its fair share of the capital costs involved. Thus, the cost of servicing industrial/commercial development should be levied separately on that form of development or financed through the general tax base. Similarly, the cost of servicing development on pre-approved land should be financed via local improvements, Municipal Act special charges and/or the general tax base.

## 1. INTRODUCTION

### 1.4 Development Charge Policy Principles and Guidelines (Cont'd)

### 5. Uniform vs. Site Specific Charges

- a) It is appropriate to employ uniform, region-wide wide levies where the region is seeking to provide a uniform standard of service based on a uniform tax and rate structure. There may, however, be additional items where it is appropriate to calculate a component of the charge on an area specific basis, despite the complexities of so doing.
- b) Development charges should be uniform, rather than varying with the results of individual negotiations. Wherever possible, charges should be levied at the rate prevailing as close as possible to the time of development, rather than at a range of different levels prevailing earlier in the process.
- c) Clear policy should exist as to situations where significant site specific charges may be imposed on a developer or broad benefit area, over and above the uniform charge structure.
- d) The cost of oversizing requirements imposed on developers within their subdivisions should be borne either through downstream recovery arrangements from future developers or by the municipality via a component of the development charge. The latter approach is preferable from an administrative viewpoint and is more favourable to the development community where small subdivisions are prevalent. Developer front-end financing, with subsequent downstream recovery from future developers, may be appropriate, particularly outside of urban service areas, where off-site works are required before a development can proceed.

### 6. Hard vs. Soft Services

- a) Development charges are potentially applicable to any municipal capital facilities provided for purposes of growth. Operating costs are the responsibility of the municipality and should be funded through the general tax levy.

## 1. INTRODUCTION

### 1.4 Development Charge Policy Principles and Guidelines (Cont'd)

### 7. Regional Accountability

- a) A lot levy for a particular type of service is only chargeable where that service is in fact being provided (or is in the process of being provided) to the development in question.
- b) The basis for municipal development charge policy should be clearly enunciated, available to the public and discussed with the local development community before adoption. The municipality is accountable (under s.166 of the Municipal Act) for the way the funds are spent and reserve fund reporting and links to the capital budgeting process should be regularized.
- c) Development charge funds should be expended, as part of the capital budgeting process, as applicable growth-related projects are being financed. They should not be conserved for undefined future purposes.
- d) Wherever possible, development charges should be predetermined and known, in order to produce stability in the development process, minimizing disputes and delays. Inflation indices and escalation dates should be clearly established, along with periodic review points.

### 8. Development Charge Credits

- a) The growth-related capital costs employed in the development charge calculation should be net of Provincial and Federal grants and contributions which increase in direct response to those projects, have statutory basis and/or are likely to be received.
- b) The municipality should give a development charge credit to cover situations where the developer installs his own equivalent service with the approval of the municipality.
- c) The development charge calculation should include provision for the fact that new development pays property taxes and user rates and a portion of those charges may be used to service debt and make capital out of current expenditures on types of items already covered in the development charge calculation. A credit in the development

## 1. INTRODUCTION

### 1.4 Development Charge Policy Principles and Guidelines (Cont'd)

## 8. Development Charge Credits (Cont'd)

charge calculation should be allowed for this purpose, bearing in mind that new development does have a valid responsibility through taxes for the ultimate repair and replacement of the capital facilities it uses.

## 9. Compatibility with Regional Policy

- a) Development charge policy should be established so as to recognize and be generally complementary with municipal policy concerning rate and location of growth, assisted housing, housing mix and economic development and must conform with relevant Official Plan provisions.

## 10. Individual Municipal Requirements

- a) Development charge quantum comparisons with other regions provide useful background information. However, the charge which is levied in each Region should be based on the particular growth, infrastructure and financing situation faced in each case.

## 11. Collection Timing

- a) Development charges are normally collected at building permit issuance, or at the time of subdivision agreement/registration, or the lapsing of a reasonable period of time thereafter. The decision as to where in this continuum to impose the charge, should be based on the construction timing for the municipal services involved, development charge practice in the area and the potential impact of the timing on development activity.

## 12. Development Charge Reserve Funds

- a) A municipality should maintain adequate development charge reserve fund balances in order to provide for unforeseen projects or cost escalations, for the reduction in capital levy collections which comes with economic recessions or the accelerated requirement for capital spending which comes with growth spurts. A financing component to the levy may be required if, on a

## 1. INTRODUCTION

### 1.4 Development Charge Policy Principles and Guidelines (Cont'd)

### 12. Development Charge Reserve Funds (Cont'd)

cash flow basis, funds are not likely to be available when required. In some cases, long-term debt financing (from internal or external sources) may be used to fund the necessary facilities.

### 13. Industrial/Commercial Charges

- a) Industrial/commercial development is more heavily property taxed than residential development, receives fewer municipal services and is sought-after in terms of local jobs and economic stimulus. Increasingly, municipalities are servicing and selling industrial lands themselves. Consideration should be given to these factors, if, under special circumstances, development charges are to be imposed on commercial/industrial development.

2. LEGAL BASIS FOR  
DEVELOPMENT CHARGES

## 2. LEGAL BASIS FOR DEVELOPMENT CHARGES

### 2.1 Introduction

The firm of Willms & Shier (formerly Vaughan, Willms) was retained as part of the project team to review the statutory provisions, court cases and Ontario Municipal Board decisions which apply to the imposition of development charges by the Region. This, and general legal input provided throughout the project, was used in order to ensure that the recommended Regional development charge policy is as consistent as possible with this particular aspect of municipal law.

This chapter contains only a brief review of the applicable sections from the Regional Official Plan and various statutory provisions. In addition, several dozen development charge O.M.B. and court cases were reviewed and discussed in detail, but are not documented herein.

## 2. LEGAL BASIS FOR DEVELOPMENT CHARGES

### 2.2 Official Plans

The regional official plan and the area municipalities' official plans as they relate to development charges and lot levies were reviewed.

The official plan for the Regional Municipality of Hamilton-Wentworth was adopted by Regional Council on June 17, 1980. It was approved by the Minister on June 26, 1980, except for certain policies which were referred to the Ontario Municipal Board, and ultimately dealt with in its decision of January 25, 1982.

The Regional Official Plan contains no development charge policies.

Appendix A2 - Municipal Finance - states that the Region will undertake a review of its lot levy policies (s.A2.5.1.3). This statement has been adopted as Regional policy, although it is not formally a part of the Official Plan as approved.

It further states that water and sewer rates are to be set at a level that will permit capital expenditures to be made from those rates (s.A2.5.1.1).

Similarly, the levy for storm sewers is to be used for that purpose and all expenditures related to storm sewers are to be made from the levy (s.A2.5.2).

The area municipalities' official plans generally provide that development will occur only in areas with full municipal services, including storm sewers (e.g. Town of Ancaster Official Plan, s.3.3.1, City of Hamilton Official Plan, s.B.1.).

2.3 Statutory  
Provisions

2. LEGAL BASIS FOR DEVELOPMENT CHARGES

A. The Planning Act, 1983

1. Subdivision

The statutory authority for the imposition of lot levies on a subdivision is found in s.50(5) of the Planning Act, 1983<sup>1</sup> which provides as follows:

50 (5) The Minister may impose such conditions to the approval of a plan of subdivision as in his opinion are reasonable, having regard to the nature of the development proposed for the subdivision and, in particular, but without restricting in any way whatsoever the generality of the foregoing, he may impose as a condition,

(d) that the owner of the land enter into one or more agreements with a municipality, or where the land is not in a municipality, with the Minister, dealing with such matters as the Minister may consider necessary, including the provision of municipal services.

"Agreements with a municipality" have been interpreted to include agreements for payment of lot levies.<sup>2</sup>

On December 19, 1985 the Cabinet issued its decision on an appeal from the O.M.B. in Mod-Aire Homes v. Bradford. This decision stated the following guidelines by which the OMB should reconsider the lot levies in that case:

- 1) a municipality may set uniform lot levies, so long as they bear a reasonable relationship with the overall costs of the municipality attributable to growth with respect to the services they cover;
- 2) there need not be a direct relationship between the additional cost incurred by the municipality and the utilization of the service that is the subject of the levy;
- 3) levies may be a combination of uniform levies for average costed services and additional amounts for other services directly attributable to a subdivision;
- 4) credits must be given where a developer installs equivalent services with the approval of the municipality.

## 2. LEGAL BASIS FOR DEVELOPMENT CHARGES

### 2.3 Statutory Provisions (Cont'd)

#### 2. Severance

Section 52(2) of the Planning Act, 1983 provides that regional council has the same power to impose conditions of severance as the Minister has to impose conditions of subdivision approval:

52 (2) A council in dealing with applications for consent shall comply with such rules of procedure as are prescribed and a council or the Minister, as the case may be, in determining whether a consent is to be given shall have regard to the matters that are to be had regard to under subsection 50(4) and has the same powers with respect to a consent as the Minister has with respect to an approval of a plan of subdivision under subsection 50(5), and subsections 50(6), (7), (8), (9), (10) and (12) apply with necessary modifications.

This power can be delegated to an area council, a committee of Regional Council or an appointed officer (s.53).

#### 3. Condominium

In the case of a condominium, s.50(2) of the Condominium Act<sup>3</sup> makes the subdivision provisions of the Planning Act applicable to condominiums:

50 (2) Subject to subsection (3), the provisions of section 36 of the Planning Act that apply to plans of subdivision apply, with necessary modifications, to descriptions under this Act, and a description shall not be registered unless approved or exempted by the Minister of Housing.

#### 4. Appeals to O.M.B.

The owner can refer the conditions imposed by the Minister to the O.M.B. under s.50(17) of the Planning Act, 1983 which provides:

## 2. LEGAL BASIS FOR DEVELOPMENT CHARGES

### 2.3 Statutory Provisions (Cont'd)

50 (17) Where the owner of the land, the local municipality or the county or regional, metropolitan or district municipality, if any, in which the land is situate, is not satisfied as to the conditions or any of the conditions, imposed or to be imposed, he or it, at any time before the plan of subdivision is finally approved, may require the condition or conditions that are unsatisfactory to be referred to the Municipal Board by written notice to the secretary of the Board and to the Minister, and the Board shall then hear and determine the question as to the condition or conditions so referred to it.

The appeal provision in the case of a severance is s.52(8).

#### B. The Municipal Act

##### 1. Heavy Loading Charges

The heavy loading charges provision of the Municipal Act<sup>4</sup> permits the region to charge landowners with the costs of providing additional sewer or water system capacity:

215.- (1) With the approval of the Municipal Board, councils of local municipalities may, by by-law, define the class or classes of buildings to be erected or enlarged after the effective date of the by-law that impose or may impose a heavy load on the sewer system or water system, or both, by reason of which expenditures are or may be required to provide additional sanitary or storm sewer or water supply capacity that in the opinion of a council would not otherwise be required, and may impose upon the owners of such buildings a special charge or charges over and above all other rates and charges to pay for all or part of the cost of providing the additional capacity.

(2) The special charge or charges under any by-law shall refer specifically to sewage works or water works as defined in section 218, or to both, as the case may be.

(3) The proceeds of the charge or charges authorized by any such by-law shall be deemed to be a reserve fund established under section 165.

## 2. LEGAL BASIS FOR DEVELOPMENT CHARGES

### 2.3 Statutory Provisions (Cont'd)

(4) The by-law may provide that the charge or charges imposed under it are a lien upon the land on which the building is erected, and may be collected in the same manner and with the same remedies as provided by this Act for the collection of real property taxes.

(5) Any charge or charges to be imposed under the by-law may be made payable on an application for a building permit or at any time thereafter.

(6) The following are exempt from any charge or charges imposed under the by-law:

1. Every building on land exempt from taxation under any general or special Act.
2. Every building on land in respect of which an agreement has been entered into with the municipality under section 36 of the Planning Act or any predecessor thereof.
3. Every building or any land in respect of which a contribution to provide sanitary or storm sewers or water supply facilities has been made within the ten years previous to the application for a building permit, to the extent of the contribution so made.
4. Every residential building having not more than two dwelling units.
5. Every building, other than a residential building, with an inside floor area of not more than 300 square metres.

Heavy loading charges permit the region to impose charges where lot levies cannot be imposed, for example, on a rezoning or on an application for a building permit where no planning approvals are required. However there are many exemptions from heavy loading charges, particularly the exemption for land on which lot levies have been paid under a subdivision agreement and for single and semi-detached units. In addition the building must impose a heavy load on the sewer or water system.

## 2. LEGAL BASIS FOR DEVELOPMENT CHARGES

### 2.3 Statutory Provisions (Cont'd)

#### 2. Special Benefit Rates

Special benefit rates under s.218 of the Municipal Act can be imposed for construction of, and for existing water and sewer works. A special benefit area can be all or any part of a municipality that will derive immediate or deferred benefits from the works. There is no limit on the amount of the rate in the legislation. There is an advantage in proceeding under this section rather than under the heavy loading provisions of the Municipal Act in that the levy is not limited to certain kinds of development. There is also an advantage over proceeding under the Local Improvement Act in that non-abutting property owners can be charged. The special benefits provisions allow commutation of payments, if a rate structure is established.

It should be noted that special benefit rates must be charged equally to new and existing owners within the special benefit area.

#### 3. Connection Fees

Connection fees under s.219 of the Municipal Act can of course, be charged for sewer and water connections.

Construction of service drains from sewers to highway lines can be charged to the owners under s.210 paragraph 79 of the Municipal Act.

#### 4. Use of Lot Levies

s.166 of the Municipal Act provides that contributions received by municipalities for expenses incurred or to be incurred as a result of a subdivision must be used to meet expenditures for work done within the subdivision or for the benefit of occupiers or to meet expenditures incurred by reason of the subdivision and if contributed for a specific purpose, it may only be used for such purpose, unless the contributions are not required for those purposes. This requirement has been used to limit the kinds of services for which levies are chargeable.

The accounting for levies should reflect s.166 in that levies for each particular purpose should be accounted for separately.

## 2. LEGAL BASIS FOR DEVELOPMENT CHARGES

### 2.3 Statutory Provisions (Cont'd)

#### C. Local Improvement Act

Many water, sewage, road and other works may be constructed under the Local Improvement Act<sup>5</sup> with costs charged to owners of directly abutting lots who are assessed according to their frontages. This Act is specifically referred to in the Regional Municipality of Hamilton-Wentworth Act as a method of financing the construction of water and sewer works<sup>6</sup>.

The following sewage and water works may be undertaken as local improvements:

constructing, enlarging or extending a sewer, including a sewer on each side or on one side only of a street;

constructing, enlarging or extending a watermain, including a main on each side or on one side only of a street;

the extension of a system of water, gas, light, heat or power works owned by the corporation, including all such works as may be necessary for supplying

water, gas, light, including street lighting, heat or power, to the owners of land, for whose benefit the extension is provided;<sup>7</sup>

The definition of "construction" in the Act includes "reconstruction, wholly or in part, when the lifetime of the work has expired".<sup>8</sup> Therefore it is possible to use the Act to finance replacements, provided the lifetime of the work has expired.

#### D. The Regional Municipality of Hamilton-Wentworth Act<sup>9</sup>

The Regional Municipality of Hamilton-Wentworth Act provides that the region can finance the whole or any part of the cost and debt charges of the supply and distribution of water and the collection and disposal of sewage by:

1. establishing urban service areas in the region and imposing rates;<sup>10</sup> or
2. requiring any area municipality to impose a general rate or to establish urban service areas and impose rates in the urban service area of the area municipality.<sup>11</sup>

FOOTNOTES

1. S.O. 1983, c.1;
2. Beaver Valley Developments Limited v. Township of North York (1961), 28 D.L.R. (2d) 76 (S.C.C.); Re Mills and Land Division Committee of Region of York (1975), 9 O.R. (2d) 349, 60 D.L.R. (3d) 405 (Div.Ct.);
3. R.S.O. 1980, c.84 (s.50 has not yet been revised to refer to the Planning Act, 1983);
4. R.S.O. 1980, c.302, as amended by S.O. 1981, c.47, 70; S.O. 1982, c.24, 40, 50; S.O. 1983, c.5, 8; see s.96(1) and 97(1) of the Regional Municipality of Hamilton-Wentworth Act;
5. R.S.O. 1980, c.250 as amended by S.O. 1982, c.40;
6. s.96(3), 97(3);
7. s.2;
8. s.1.4;
9. R.S.O. 1980, c.437, as amended by S.O. 1982, c.26 ss.72-80; S.O. 1982, c.49, 5510, ii; S.O. 1983, c.5, s.9 and s.O. 1983 c.13;
10. ss.96(2), 97(2);
11. ss.96(4), 97(4).

3. DEVELOPMENT CHARGE  
PRACTICE IN ONTARIO

### 3. DEVELOPMENT CHARGE PRACTICE IN ONTARIO

#### 3.1 Overview

Map 1, which follows, indicates that of the nine upper tier municipalities in the Golden Horseshoe area, the Region is in a low to medium position in terms of the relative size of its residential development charges. Halton, Peel and Durham charge more - considerably more for most unit types - while charges in York and Haldimand-Norfolk are only somewhat larger. Metro Toronto and Niagara Region do not presently impose lot levies, with Metro Toronto being an older municipality, most of which was serviced many years ago, and Niagara Region experiencing limited amounts of growth. The charges in Waterloo Region are similar in size to those in Hamilton-Wentworth.

However, most of the regional charges are allocated to sewer and water works and the extent of responsibility in this area, as well as several others, does vary from one region to the next. For this reason, it is necessary to look beyond total regional development charges, to the detailed composition of the charges which is discussed in section 3.2. Total upper plus lower tier charges are reviewed in section 3.3. Finally, section 3.4 reviews other aspects of development charge policy, including timing, oversizing responsibility, housing occupancy factors and industrial/commercial development charges.

## COMPARISON OF REGIONAL PER CAPITA LEVY COMPONENTS<sup>1</sup>

<u>Levy Components</u>	<u>Hamilton-Wentworth Region</u> <u>1986 Recomm.</u>			<u>Peel Region</u> <u>1985</u>			<u>York Region</u> <u>1985</u>			<u>Ottawa-Carleton Region</u> <u>1987</u>						
	<u>City of Hamilton</u> <u>178</u>	<u>Elsewhere in Region</u> <u>-</u>	<u>Halton Region</u> <u>1984</u> <u>%</u>	<u>Storm Sewer</u>	<u>Sanitary Sewer</u>	<u>Water</u>	<u>Roads</u>	<u>Hospitals</u>	<u>Waste Disposal</u>		<u>General Works Dept.</u>	<u>Operations Centres</u>	<u>Transit</u>	<u>Homes for Aged</u>	<u>Police</u>	<u>Administration</u>
Storm Sewer	99	99	26	218.42	28	241.00	33	80.00	23	274.00	29					
Sanitary Sewer	103	103	27	286.312	37	136.00	18	80.00	23	186.00	20					
Water	150	150	39	130.52	17	128.00	17	43.71 <sup>3</sup>	13	416.00	45					
Roads	32	32	8	77.89	10	154.00	21	90.27	26	32.00	3					
Hospitals				--	--	--	--	--	--	--						
Waste Disposal				--	--	--	--	--	--	--						
General Works Dept.																
Operations Centres	--	--	0	63.42	8	77.00	11	53.55	15	28.00	3					
Transit																
Homes for Aged																
Police																
Administration																
Day Care				--	--	--	--	--	--	--						
Total	\$562	\$384	100	\$776.56	100	\$736.00	100	\$347.53	100	\$936.00	100					

Net of credit on property taxation payable. Excludes Durham, Haldimand-Norfolk and Waterloo Regions, whose policies are not per capita-based and are restricted primarily to water, sewer and roads.

**2** Includes Burlington Water Plant Surcharge.

3 A site specific levy may also be charged in addition.

### 3. DEVELOPMENT CHARGE PRACTICE IN ONTARIO

#### 3.3 Upper and Lower Tier Charge Comparisons

Regional responsibilities vary, to some degree, from one jurisdiction to the next, particularly in terms of regional responsibility for local sewer and water works. The Region of Hamilton-Wentworth has more service responsibilities than most, including storm drainage and transit in Hamilton as well as police and industrial land and even libraries in some area municipalities. In addition the Region operates an extensive waste disposal system with 3 decentralized transfer stations and provides the full range of sewer and water works, unlike regions such as York and Niagara.

Any inter-regional comparison of development charges must reflect these differing service responsibilities. The most direct approach is to compare total development charges - upper tier plus lower tier - in order to ensure that a consistent set of municipal services are included. This approach measures the total burden on new development, which is relevant from the standpoint of the development community, while individual service by service comparisons can be made based on the data in section 3.2.

Another factor to be considered when comparing development charges is municipal policy relative to non-standardized charges. These are sometimes included in subdivision agreements for works such as boundary road improvements, storm drainage works and the like. Some municipalities make regular use of these subdivision-specific charges, rather than averaging all costs into the development charge calculation. However, policy in this area is difficult to document or quantify because of its variable nature.

Figures 3-1 to 3-9 compare uniform development charges for 9 regions and the 52 largest area municipalities within them. The graphs show the regional or upper tier component of the charge on the bottom of the bar, in each case, and the lower tier or area municipal component at the top of the bar. Generally, the regional charge is the same in each case, except in Hamilton-Wentworth, where the storm drainage component only applies to Hamilton development. Also, there are virtually no serviced units in Glanbrook, and hence only the "general" portion of the charge is levied. The other exception is in Halton Region, where sewer and/or water surcharges are levied in Burlington and Oakville.

### 3. DEVELOPMENT CHARGE PRACTICE IN ONTARIO

#### 3.3 Upper and Lower Tier Charge Comparisons (Cont'd)

In each case, the charges indicated are those prevailing in mid-1985, with the exception of Ottawa-Carleton where Regional Council, on August 14, 1985, approved a new policy with phased implementation up to January 1987. The rate graphed is the one applicable as of January 1986, with the final increment (January, 1987) shown separately.

The graphs show the area municipalities within each region in ascending order of development charge size.

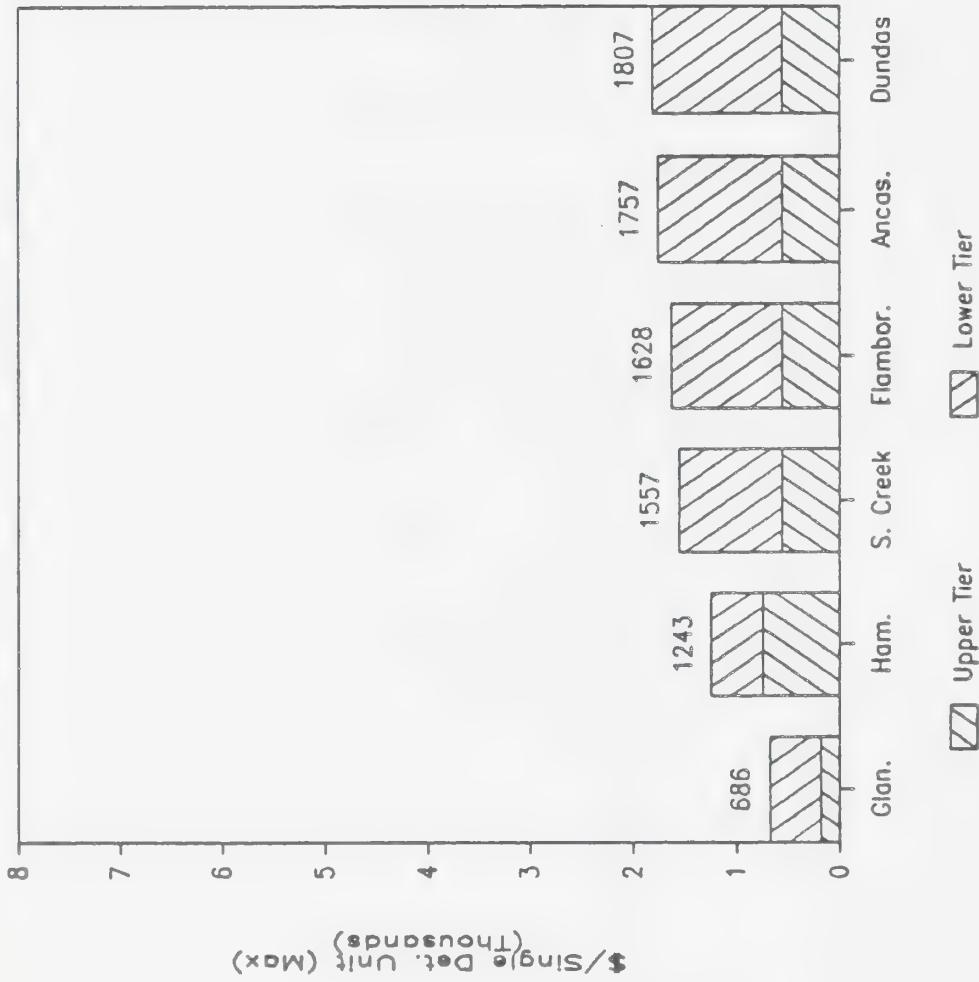
In addition, the graphs for each region have been arranged in ascending order of size for the generally prevailing rate within the region. Hamilton-Wentworth appears first, indicating that its total development charges are the lowest of any region in Ontario. Also, the Region's charges are allocated to subdivision oversizing cost shares. Some Regions require developers to finance these, over and above the uniform development charge.

Practice in Niagara Region, which appears next, is diverse, but is generally at the same level, despite the absence of any regional charges. Charges in Waterloo and Haldimand-Norfolk Regions are very similar to those in Hamilton-Wentworth, but are slightly higher. Charges in Durham and Ottawa-Carleton are significantly higher, while those in Peel and Halton Regions are similar to each other, but are significantly higher than those in Durham. Charges in York Region are similar to those in Peel and Halton, except for Vaughan and Whitchurch-Stouffville, which are higher again.

Development and municipal circumstances vary from one region and area municipality to the next, as does the requirement for development charges. This comparison does not, of itself, indicate that charges in Hamilton-Wentworth are too low. However, if a strong case is made for a higher development charge in Hamilton-Wentworth, this survey suggests that the Region will be moving toward practice which is more customary in the "Golden Horseshoe" area of Ontario.

FIGURE 3-1

## Hamilton-Wentworth Reg. Dev. Charges



Note: Glanbrook Upper Tier Levy (general component only) = 5,000 sq. ft. lot  $\div$  10.764  $\times$  \$0.40 = \$185.80  
 Dundas, Stoney Creek, Ancaster and Flamborough Upper Tier Levy (water, sewerage and general components)  
 $= \$185.80 \times 3 = \$557.41$   
 Hamilton Upper Tier Levy (water, sewerage, storm drainage and general components) = \$185.80  $\times$  4 = \$743.20  
 Lower Tier Levies:  
 Hamilton - \$500; Glanbrook - \$500; Dundas - \$1,250; Stoney Creek - \$1,000;  
 Ancaster - \$1,200; Flamborough - \$1,071

## Niagara Region Development Charges

FIGURE 3-2

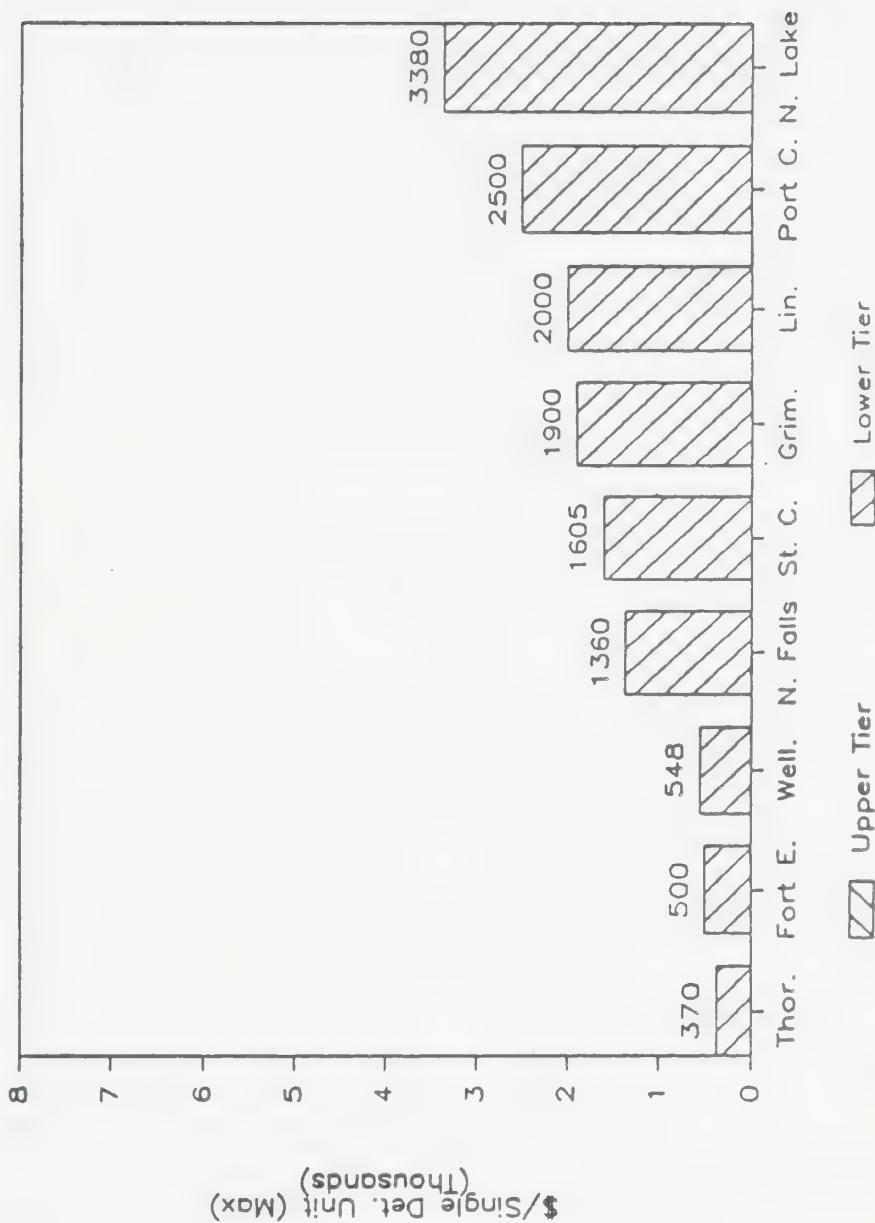


FIGURE 3-3  
Waterloo Regional Development Charges

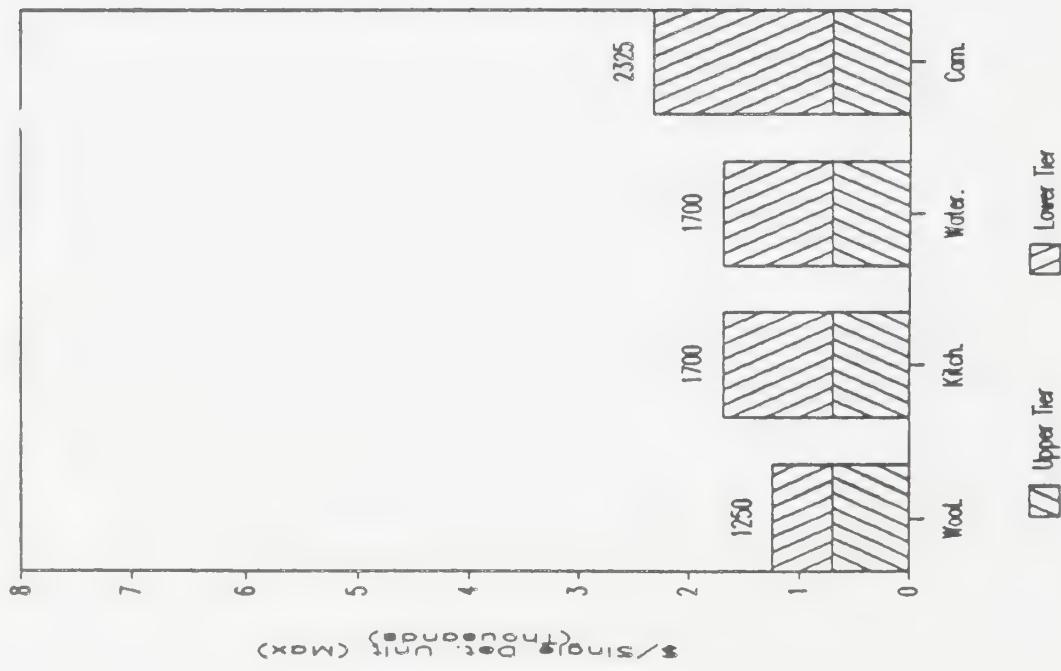
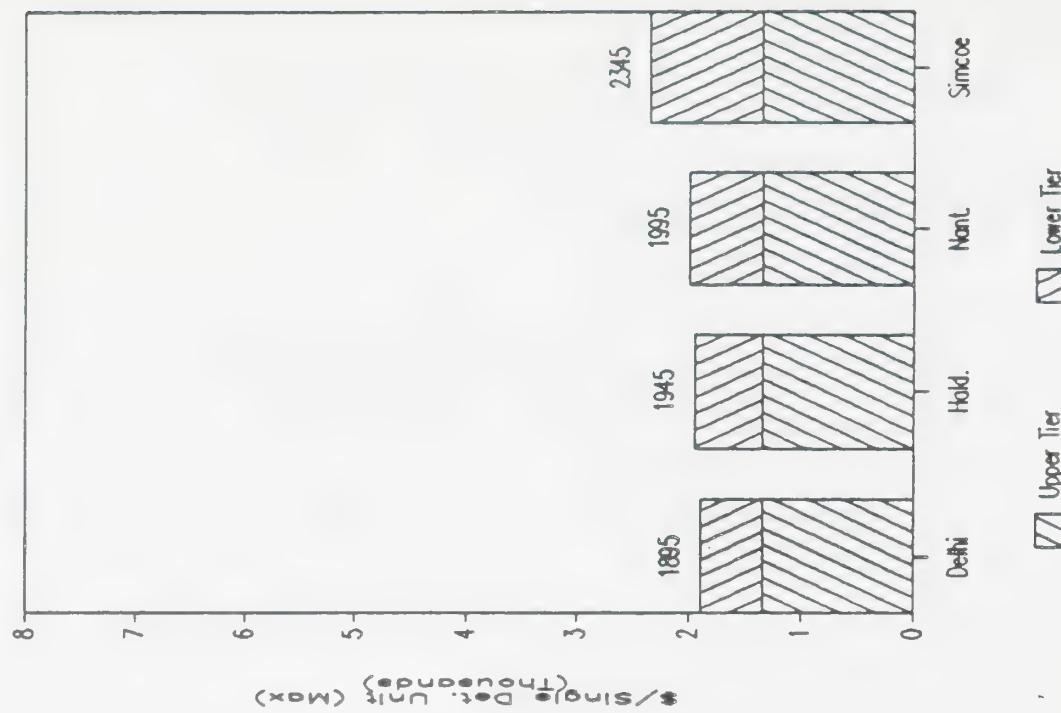
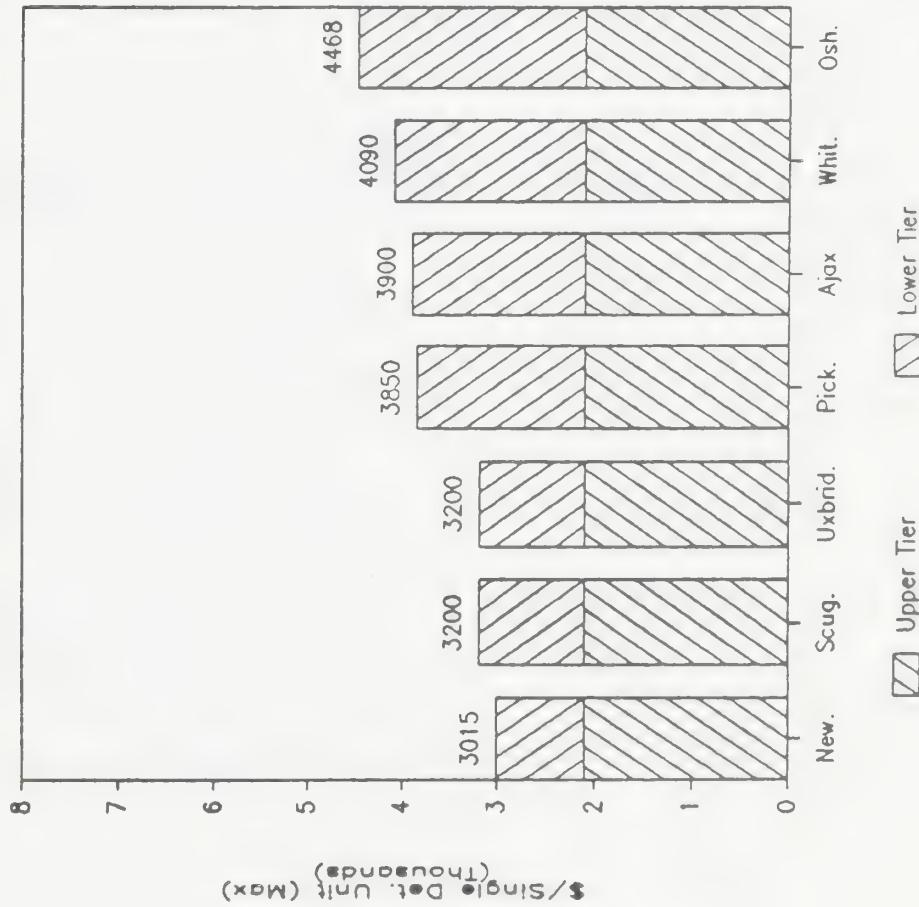


FIGURE 3-4  
Haldimand-Norfolk Reg. Develop. Charges

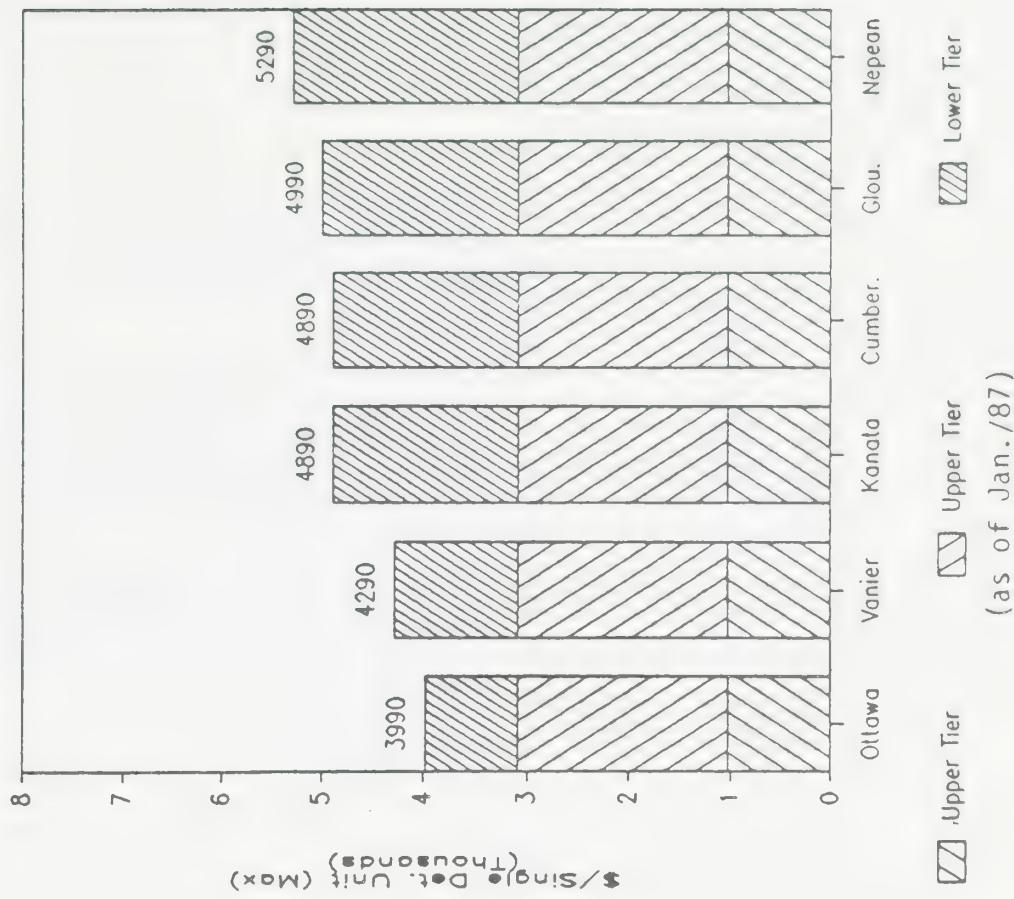


**Durham Region Development Charges**



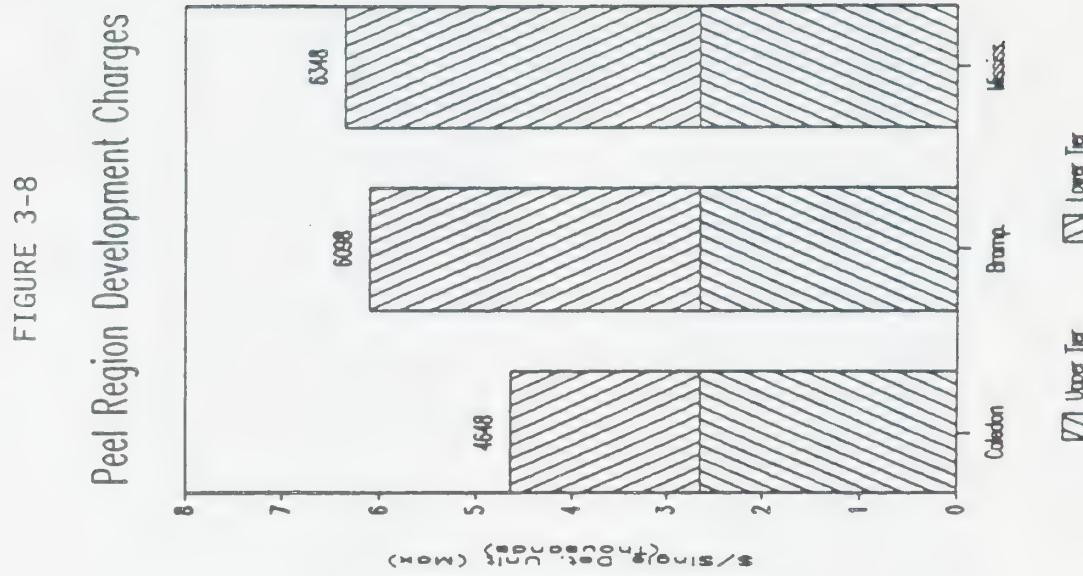
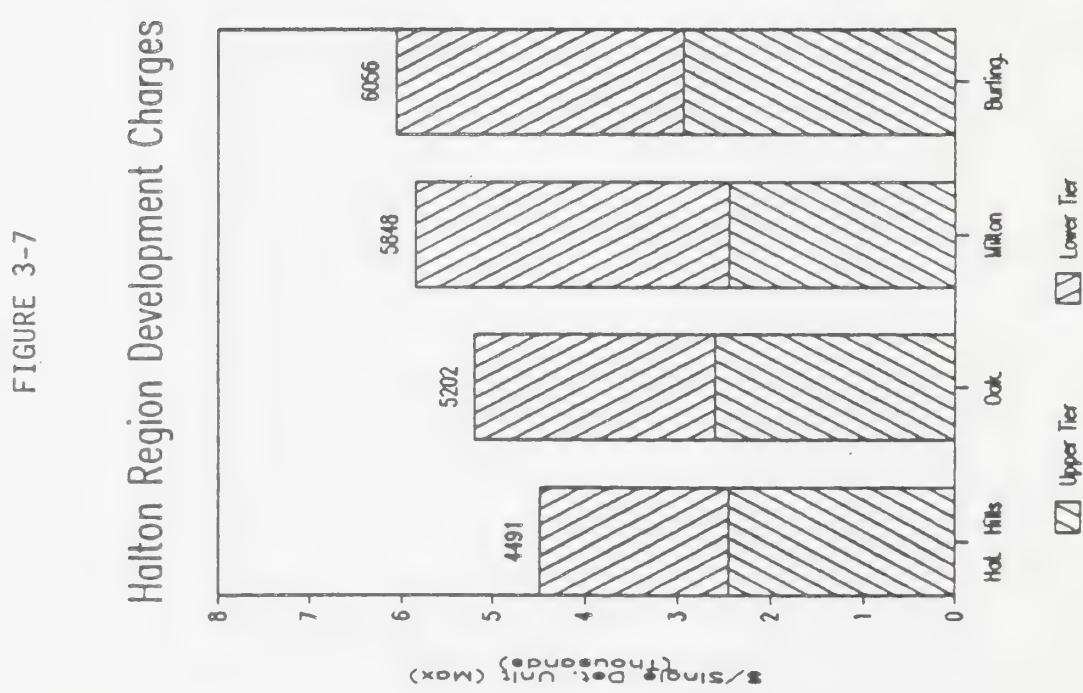
**FIGURE 3-5**

**Ottawa-Carleton Reg. Develop. Charges**



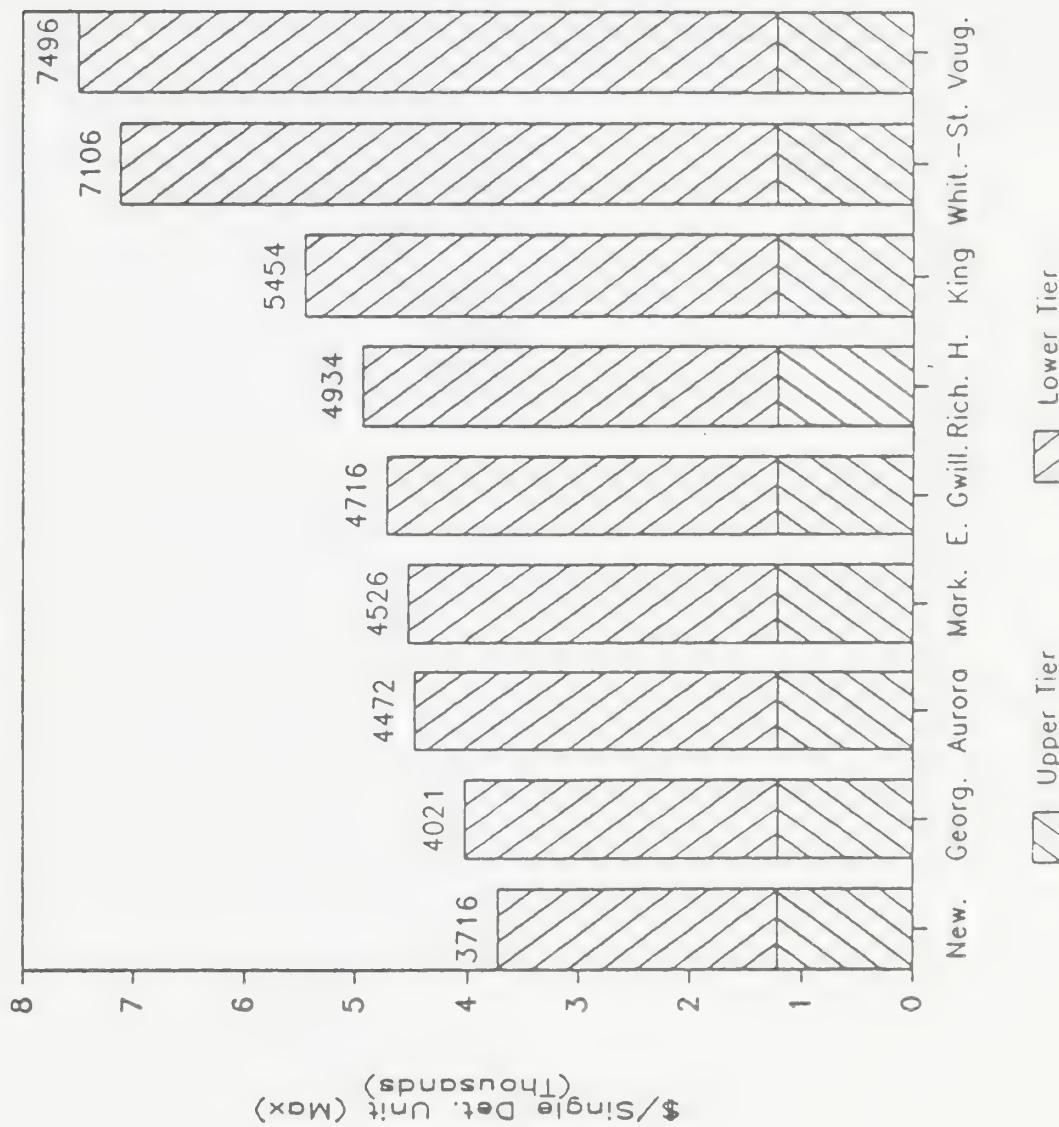
**FIGURE 3-6**

**Ottawa-Carleton Reg. Develop. Charges**



## York Region Development Charges

FIGURE 3-9



### 3. DEVELOPMENT CHARGE PRACTICE IN ONTARIO

#### 3.4 Other Aspects of Development Charge Policy

Table 3-2 summarizes the development charge collection timing policy for Ontario regions. Practice is diverse, with four regions collecting 50-100% of the charge at the subdivision plan approval stage and three regions collecting 100% at building permit issuance. Three regions (including Hamilton-Wentworth) phase collection over one to three years following subdivision approval. Collection at the building permit stage is even more commonplace in the case of area municipalities, where some or all of the collection occurs at the building permit stage in 75% of the municipalities involved. Some regions tend to focus on subdivision approval, since they do not control building permit issuance and because most of their levies relate to hard services - sewer, water and roads - which are frequently constructed in advance of the related subdivision approvals.

Table 3-3 compares regional policies on responsibility for oversizing sewer, water and road works internal to plans of subdivision. Once again, the Region of Hamilton-Wentworth is distinguished in that its approach is quite favourable to the development community.

The Region accepts cost sharing responsibility for oversizing, whereas York, Halton and Haldimand-Norfolk generally do not. The pipe sizes beyond which the Region will pay are well below those in Peel and Ottawa-Carleton (for water). In other regions, the responsibility to cost share or not, rests with the area municipality, rather than with the region. Hamilton-Wentworth has revised its policy on a number of occasions over the years, to reduce pipe size limits for which developers must pay, extend the payment timing and public lands for which developers are not required to pay for servicing.

Once again, this survey does not indicate that this practice is inappropriate to Hamilton-Wentworth. It may well be important to the large number of smaller builders and developers who operate in the Region. It is, however, a form of concession which the Region is making in the interests of equity and encouraging development.

### 3. DEVELOPMENT CHARGE PRACTICE IN ONTARIO

#### 3.4 Other Aspects of Development Charge Policy (Cont'd)

Figure 3-10 summarizes the quantum of industrial-commercial development charges in the major regions and municipalities in the Toronto area. None of the six regions impose such a charge and only 11 of the 33 area municipalities impose a commercial or industrial development charge. These charges vary according to construction value, building size and site area. None of the area municipalities in Hamilton-Wentworth impose such charges, once again, in order to encourage industrial/commercial growth, which has not been extensive.

Finally, Figure 3-11 indicates the wide-ranging assumptions as to average unit occupancy which are employed by a sample of municipalities, in their development charge calculations. For low density units, the figures range from 3.1 persons per unit to 4.0. For high density units, they range from 1.5 p.p.u. to 2.7. The demographics of a new area can vary with the value of the housing and average age of the occupants. For high density units, unit size and number of bedrooms affects occupancy significantly and differentiation in the development charge should be made accordingly.

The importance of this assumption to the ultimate development charge is evident in that the charge is calculated as the cost per capita, multiplied by the residential unit occupancy assumption. Hamilton-Wentworth's current development charge policy does not employ any specific assumptions in regard to persons per unit, since it varies with lot size instead.

TABLE 3-2

**DEVELOPMENT CHARGE COLLECTION TIMING POLICY  
IN REGIONAL MUNICIPALITIES WITHIN ONTARIO**

Regional Municipality	Collection Timing	Subdivision Approval	+ One Year	+ Two Years	+ Three Years	Building Permit Issuance
Durham			25%	25%	25%	If sooner
Haldimand-Norfolk		5 Lots			100%	
Halton		65%				35%
Hamilton-Wentworth		50%	50%			
Ottawa-Carleton					100%	
Peel					100%	
Sudbury		100%				
Waterloo					100%	
York		100%				

TABLE 3-3  
 COMPARISON OF REGIONAL POLICIES ON RESPONSIBILITY  
 FOR OVERSIZING SUBDIVISION INTERNAL SERVICES

REGION	SERVICE ITEM	Sanitary Sewerage	Drainage	Water
Durham	Everything beyond the subdv. requirements	Local municip.	Everything beyond the subd. reqts.	
Haldimand-Norfolk	"Best efforts"	Local municip.	"Best efforts"	
Halton	Developer pays for all internals	Local municip.	Developer pays for all internals	
Hamilton-Wentworth	15"+	35"+	8"+	
Ottawa-Carleton	Local municip.	Local municip.	16"+	
Peel	Developer pays for plan plus 1st 1,000 acres draining into Region pays beyond	Local municip.	Local municip.	12"+
Waterloo	Local municip.	Local municip.	Local municip.	
York (Vaughan, Richmond Hill, Markham)	"Best efforts"	"Best efforts"	"Best efforts"	

FIGURE 3-10

COMMERCIAL/INDUSTRIAL DEVELOPMENT CHARGES  
(UPPER AND LOWER TIER) IN 33 MAJOR MUNICIPALITIES  
IN HAMILTON-WENTWORTH, HALTON, PEEL, METRO, YORK, DURHAM REGIONS

COMMERCIAL

Newmarket - 1-2% value of construction\*\*  
 Toronto - \$5.38/s.m. of G.F.A.  
 Mississauga - \$31,108 - 67,662/ha  
 Vaughan-Woodbridge - \$17,438/ha

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Scarborough - \$7,055/ha  
 Burlington - \$5,600/ha  
 Aurora - \$5,436/ha  
 Markham - \$2,500/ha

---

North York - 5.75¢/s.m. of G.F.A.

INDUSTRIAL

Mississauga - \$30,238/ha  
 Vaughan-Woodbridge - \$17,438/ha  
Toronto - \$5.38/s.m. of G.F.A.

---

Aurora - \$7,240/ha  
 Milton - \$6,177.4/ha\*  
 Burlington - \$5,600/ha  
 Scarborough - \$4,375/ha  
 Markham - \$2,500/ha  
Etobicoke - \$2,471/ha\*

North York - .20¢/s.m. of site area

NO CHARGE

Durham  
 Ajax  
 Newcastle  
 Oshawa  
 Pickering  
 Scugog  
 Uxbridge  
 Whitby

Halton  
 Halton Hills  
 Milton\*  
 Oakville

Hamilton-Wentworth  
 Ancaster  
 Dundas  
 Flamborough  
 Hamilton  
 Stoney Creek

Metro  
 East York  
 Etobicoke\*  
 York

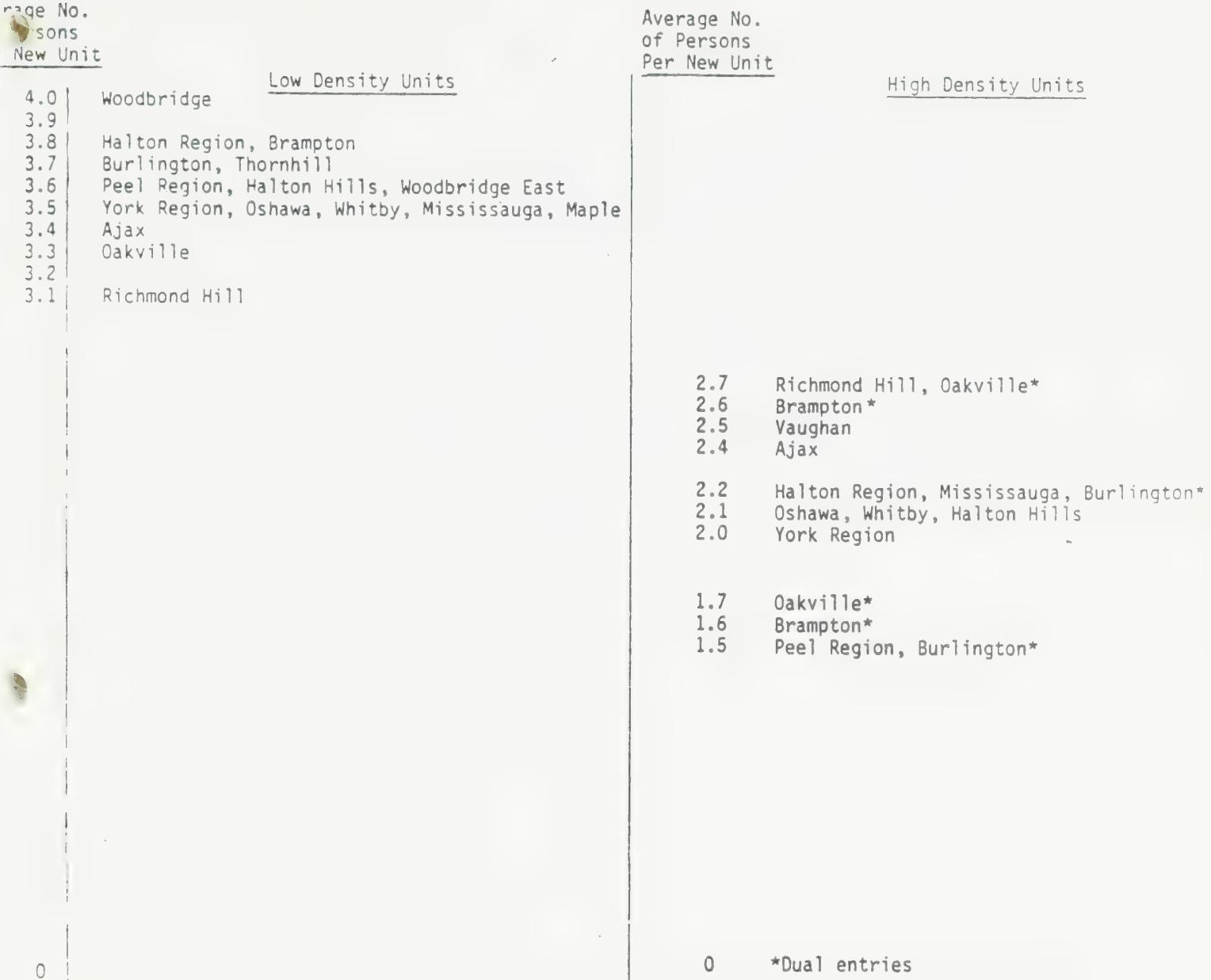
Peel  
 Brampton  
 Caledon

York  
 East Gwillimbury  
 Georgina  
 King  
 Newmarket\*\*  
 Richmond Hill  
 Vaughan-Thornhill  
 Whitchurch-Stouffville

\* charges for industrial but not commercial  
 \*\*charges for commercial but not industrial

Source: Surveyed by C.N. Watson and Associates Ltd.

PERSONS PER UNIT ASSUMPTIONS EMPLOYED BY  
VARIOUS MUNICIPALITIES IN LOT LEVY POLICY DETERMINATION



Municipalities not employing persons per unit factors in their lot levy calculations include Hamilton-Wentworth, Newcastle, Pickering, Milton, Ancaster, Dundas, Flamborough, Hamilton, Stoney Creek, Caledon & Markham.

Source: Surveyed by C.N. Watson and Associates Ltd.

4. THE REGION'S DEVELOPMENT  
PATTERN AND PROSPECTS

#### 4. THE REGION'S DEVELOPMENT PATTERN AND PROSPECTS

##### 4.1 Regional Development History

As indicated in Table 4-1, in the mid-1970's the Region of Hamilton-Wentworth accounted for 5-6% of the dwelling unit completions in the Province. This declined into the 2% range in 1979/80 and has rebounded in recent years, into the 3-4% range.

Table 4-2 indicates that during the past six years, housing completions in the Region have averaged approximately 1,550 units per year, with 72% of that amount being in Hamilton and Stoney Creek.

Table 4-3, indicates that the housing mix completed within the Region in recent years, has been two-thirds single detached, with row and apartment units both representing 13% of total and semi-detached the balance.

TABLE 4-1

DWELLING UNIT COMPLETIONS FOR THE  
REGION OF HAMILTON-WENTWORTH AND PROVINCE  
OF ONTARIO 1976-84 AND FORECAST TO 2001

	<u>Region of Hamilton-Wentworth</u>	<u>Province of Ontario</u>	<u>Hamilton-Wentworth As a % of Ontario</u>
1976	5,035	80,302	6.27
1977	4,166	80,717	5.16
1978	2,787	80,429	3.47
1979	1,472	76,570	1.92
1980	1,215	54,021	2.25
1981	1,325	45,557	2.91
1982	1,176	40,437	2.91
1983	1,835	55,287	3.32
1984	2,091	54,642	3.83
1985	1,784	50,590	3.53

Source: C.M.H.C. Data

TABLE 4-2

HOUSING UNIT COMPLETIONS WITHIN THE REGION OF  
HAMILTON-WENTWORTH 1980-85

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>Annual Average</u>
Ancaster	152	167	98	230	262	306	203
Dundas	217	79	50	123	53	55	96
Flamborough	104	110	62	127	177	197	129
Glanbrook	13	16	10	16	49	21	21
Hamilton	367	563	633	860	912	750	681
Stoney Creek	362	390	323	479	638	455	441
REGION TOTAL	1,215	1,325	1,176	1,835	2,091	1,784	1,571

SOURCE: C.M.H.C. Data

TABLE 4-3

DWELLING UNIT MIX FOR HOUSING COMPLETIONS  
 REGION OF HAMILTON-WENTWORTH  
 1976- 1984 AND FORECAST TO 2001

	<u>%</u>				
	<u>Single Family</u>	<u>Semi-Detached</u>	<u>Row</u>	<u>Apartments</u>	<u>Total</u>
1976	18.7	5.0	23.5	52.8	100.0
1977	28.7	7.2	19.0	45.1	100.0
1978	32.6	15.0	12.9	39.5	100.0
1976-78 sub-total	25.4	8.1	19.5	47.0	100.0
1979	64.5	19.0	3.8	12.7	100.0
1980	66.4	12.8	4.3	16.5	100.0
1981	75.2	12.1	12.7	0	100.0
1982	57.2	1.3	27.7	13.8	100.0
1983	73.4	2.5	13.7	10.4	100.0
1984	63.6	0.6	15.8	20.0	100.0
1985	81.9	0.2	7.2	9.0	100.0
1979-85 sub-total	69.4	6.2	12.0	12.4	100.0

Source: "Housing and Population Monitoring Report" Planning and Development Department, Hamilton-Wentworth Region and C.M.H.C. Statistics.

#### 4. THE REGION'S DEVELOPMENT PATTERN AND PROSPECTS

##### 4.2 Regional Development Prospects

Map 4-1 provides an indication of the potential location of residential development during the balance of the century. Certainly there will be shifts in markets, approvals and servicing decisions, but this provides a general indication of the type of pattern which may occur. Map 4-2 provides the same picture for potential industrial development.

Table 4-4 documents the 3,000 residential units draft approved within the Region as of September 30, 1985 and the 3,800 which were deemed to be "under consideration". The combined total represented 4-5 years supply of lots and 57% of these lots were in Hamilton and Stoney Creek. This summary suggests that an increase in activity may occur, at least in the short term, in Flamborough and Ancaster, at the expense of Stoney Creek.

Table 4-5 was prepared as a forecast of housing units and population within the Region, to be used as a basis for the development charge calculations. The table commences with the Region's 1985 (assessed) population of 421,264.

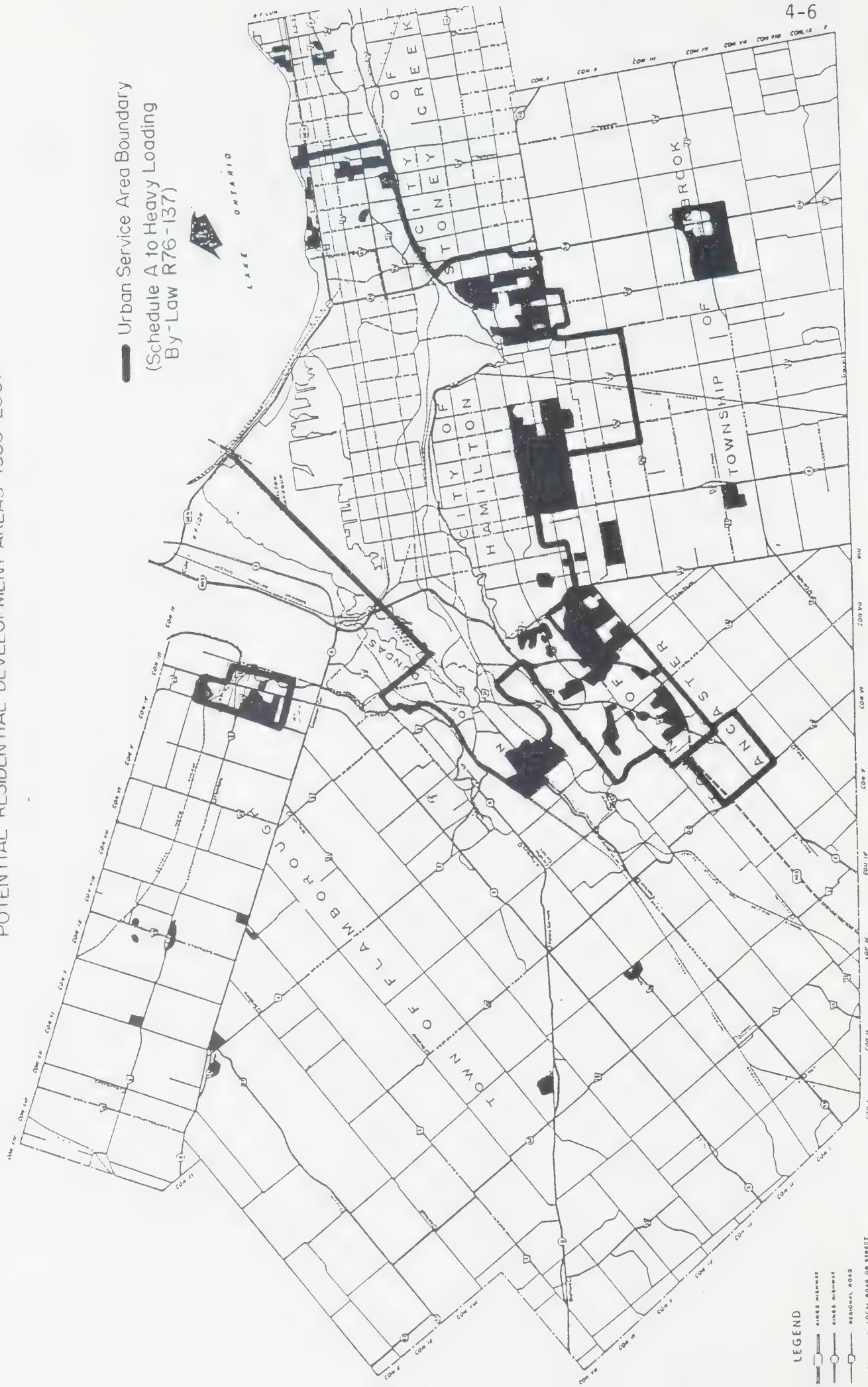
It is estimated in Table 4-5 that, during the 16 year period 1985-2001, the Region's population will increase from 421,264 (1985 assessed population) to 446,326 persons. This estimate is almost identical to the Region's most recent projections (1981) of 445,500 and the Ministry of Treasury and Economics forecasts (1985) for the Region, of 446,600 persons.

This forecast is comprised of two components, one positive and one negative. The first relates to those persons expected to occupy the new housing units to be constructed in the Region during this period. With the Region capturing 3.8% of the forecast completions for Ontario (614,000), this would yield 23,332 new units. At an average of 3.2 persons per unit for all housing types (as indicated in Footnote 1 to Table 4-5), this would produce a population increment of almost 75,000 persons.

The second component of the population forecast relates to the continuation in the decline in persons per unit in the occupied housing stock. This occurs as children grow up and leave home, as family members die and as marriages and separations reduce the size of family units.

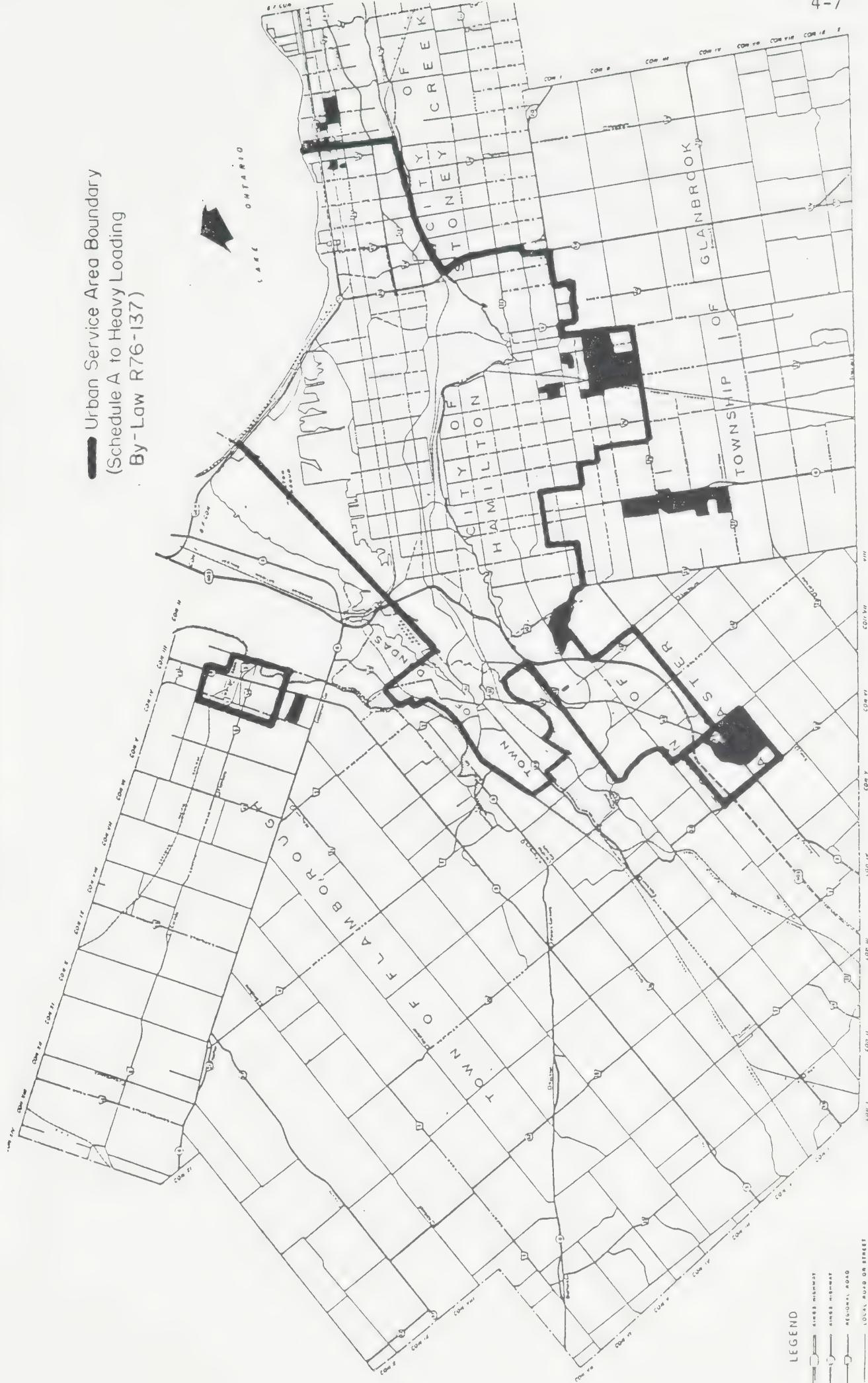
MAP 4-1

POTENTIAL RESIDENTIAL DEVELOPMENT AREAS 1985-2001



SOURCE: Region of Hamilton-Wentworth "Active Subdivision Files" map and Regional and Local Planning Staff.

**POTENTIAL INDUSTRIAL DEVELOPMENT AREAS 1985-2001**



SOURCE: Region of Hamilton-Wentworth "Active Subdivision Files" map and Regional and Local Planning Staff

TABLE 4-4

**RESIDENTIAL LOTS AND UNITS IN BLOCKS IN PLANS OF SUBDIVISION  
DRAFT APPROVED AND UNDER CONSIDERATION BY MUNICIPALITY  
AS OF SEPTEMBER 30, 1985**

<u>MUNICIPALITY</u>	<u>Single</u>	<u>Semi*</u>	<u>DRAFT ROW</u>	<u>APPROVED APT.</u>	<u>TOTAL</u>	<u>SINGLE</u>	<u>SEMI*</u>	<u>ROW</u>	<u>UNDER CONSIDERATION</u>	<u>APT.</u>	<u>TOTAL</u>
Ancaster	397	40	301	0	738		417	0	0	0	417
Dundas	202	0	26	0	228		112	0	0	0	112
Flamborough	403	72	60	0	540		367	114	0	367	848
Glanbrook	0	0	0	0	0		0	0	0	0	0
Hamilton	766	110	30	197	1,103		1,325	396	101	16	1,838
Stoney Creek	175	74	151	0	400		351	120	88	0	559
REGION	1,948	296	563	197	3,009		2,572	630	169	383	3,774

Source: Hamilton-Wentworth Planning and Development Department,  
Plans Administration Division

\* including zero lot-line units

#### 4. THE REGION'S DEVELOPMENT PATTERN AND PROSPECTS

##### 4.2 Regional Development Prospects (Cont'd)

population growth of 25,062 were used as the denominator in the cost calculation, the amount to be recovered through development charges would be recouped three times over, during the growth period involved. This, of course, is improper, which is why the gross population increment has been used.

This difference between the net and gross population growth is particularly applicable to the Region of Hamilton-Wentworth, where the growth rate is relatively modest and the base population has aged more than in other more rapidly-growing regions.

It was assumed that approximately 70,000 of the 75,000 occupants of new housing units completed 1986-2001 (Table 4-5), would occupy units serviced with sewer and water. The balance (6-7% of total) represents an allowance for rural severances and other forms of unserviced, or partially serviced, development.

The population factor used for the City of Hamilton regarding storm drainage costs was 675 units x 16 years x 3.1 persons per unit, or 33,500 persons.

It was further assumed that annual acreage absorption and development for residential development throughout the Region would be in the order of 170 acres. This involves an overall unit per acre assumption of 8.8, assuming that approximately 65% of the new units will be single-detached, 2% will be semi-detached, 17% row houses and 16% apartments. Based on input from the Regional Economic Development Department, it was assumed that, on average, in the order of 30 acres per year would be developed for industrial/commercial purposes.

5. ANTICIPATED IMPACT OF  
DEVELOPMENT CHARGE  
POLICY ON GROWTH

## 5. ANTICIPATED IMPACT OF DEVELOPMENT CHARGE POLICY ON GROWTH

### 5.1 Introduction

One purpose of this study was an evaluation of the impact of alternative Regional development charge policies, including the status quo, on the amount and rate of future development in Hamilton-Wentworth.

This is an important aspect of formulating workable development charge policy, in that it addresses the concerns of the development community and indirectly, the concerns of new homebuyers. Also, as indicated in Section 1.4 (item 9(a)),

"Development charge policy should be established so as to recognize and be generally complementary with municipal policy concerning rate and location of growth, assisted housing, housing mix and economic development."

It is clearly not in the Region's best interests to establish development charges which are so high as to actively discourage or distort development patterns. By the same token, the development charges should not be so low as to place the primary responsibility for the capital financing of new development on the existing community which, in most cases, does not require those services.

The objective in this study is to recommend policy which minimizes both of those potential problems, striking a reasonable balance between them.

This is a difficult task, particularly relative to the question of development patterns, in that the impact of a shift in development charges is variable from one area, developer and time period to the next. Such impact is difficult to quantify or to generalize upon. As indicated, some years ago, in a major study on residential land prices:

"Unlike costs due to non-deductability, however, lot levies cannot necessarily be recouped at the time of sale ... it seems highly unlikely that lot levies have had any impact on final lot prices up to the present time ... in the future, lot levies will most certainly have an effect on raw land and on serviced lot prices. At one extreme, lot levies could be fully borne by farmers in terms of reduced raw land prices. In this case, the lot levies would amount to a transfer of wealth from farmers to municipal corporations and

## 5. ANTICIPATED IMPACT OF DEVELOPMENT CHARGE POLICY ON GROWTH

### 5.1 Introduction (Cont'd)

their existing ratepayers. At the other extreme, lot levies could be fully passed on to home purchasers in the form of higher lot prices... The actual outcome will likely lie somewhere in between."<sup>1</sup>

In this context, our objective is to examine the more basic indicators relative to the residential and industrial land market. This market information provides some information against which to assess the development-related implications of increasing the Regional development charges. It will, of course, be necessary for the Region to monitor the local development situation in future years, maintaining a dialogue with the industry in order to complete this task.

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<sup>1</sup> "Down to Earth" - The Report of the Federal/Provincial Task Force on the Supply and Price of Serviced Residential Land, David B. Greenspan, April, 1978, Volume II, p. 162.

## 5. ANTICIPATED IMPACT OF DEVELOPMENT CHARGE POLICY ON GROWTH

### 5.2 Residential Development

Map 5-1 (and Table 5-1) sets out the price of a standard detached bungalow and a standard executive two-storey home in various municipalities within the Region and in the area. Prices vary significantly within the Region. For example, Hamilton prices for detached bungalows are slightly higher than prices for comparable dwellings in St. Catharines, Simcoe, Brantford and Cambridge and in line with prices in Guelph. Prices in Ancaster, Stoney Creek and Burlington are higher, with Mississauga higher still.

However, analysis of resale data for the City of Hamilton for September, 1985 reveals sales figures well below the standard unit prices. This suggests that there is a significant "lower end" market in Hamilton which may tend to be more price sensitive to development charge and other price increases than the balance of the market.

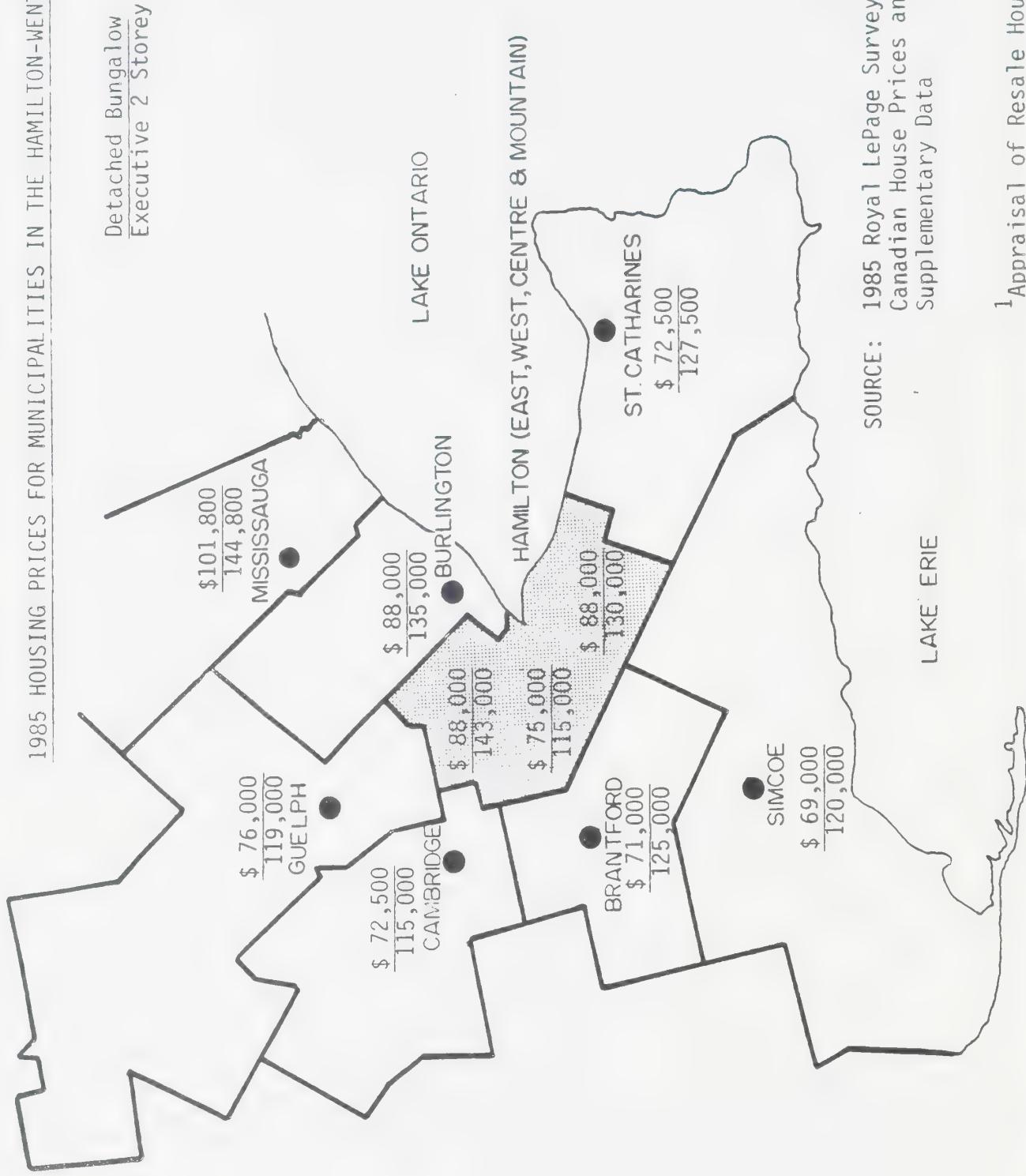
Prices in Hamilton for executive detached two-storey homes are comparable to Guelph and Cambridge, and less than in the other areas. However, the percentage impact of a shift in the development charge for these higher-priced homes is proportionately less.

Map 5-2 (and Table 5-2) illustrates the average increase in housing prices 1983-1985 in the Hamilton-Wentworth area. House price increases in Hamilton during the 1983/85 period were higher than in Burlington, Guelph, Cambridge and Mississauga, but not as high as in Brantford and St. Catharines. This relative buoyancy in the Hamilton area market suggests that local builders have enjoyed reasonable latitude in increasing prices in response to market circumstances.

Map 5-3 (and Table 5-3) indicates the percentage which total (regional plus area municipal) development charges represent of the price of a standard serviced building lot. A 4.3-6.0%<sup>1</sup> relationship prevails in Hamilton-Wentworth, which is higher than Brantford, comparable to Guelph and St. Catharines, below levels in Cambridge and Simcoe and substantially below Burlington and Mississauga levels. This suggests that a significant increase in total development charges in Hamilton-Wentworth could still leave the Region in a reasonable relationship to neighbouring municipalities.

MAP 5-1

## 1985 HOUSING PRICES FOR MUNICIPALITIES IN THE HAMILTON-WENTWORTH AREA



SOURCE: 1985 Royal LePage Survey<sup>1</sup> of Canadian House Prices and Supplementary Data

<sup>1</sup> Appraisal of Resale Housing

TABLE 5-1  
COMPARISON OF HOUSING PRICES FOR MUNICIPALITIES IN THE HAMILTON AREA, 1984 and 1985

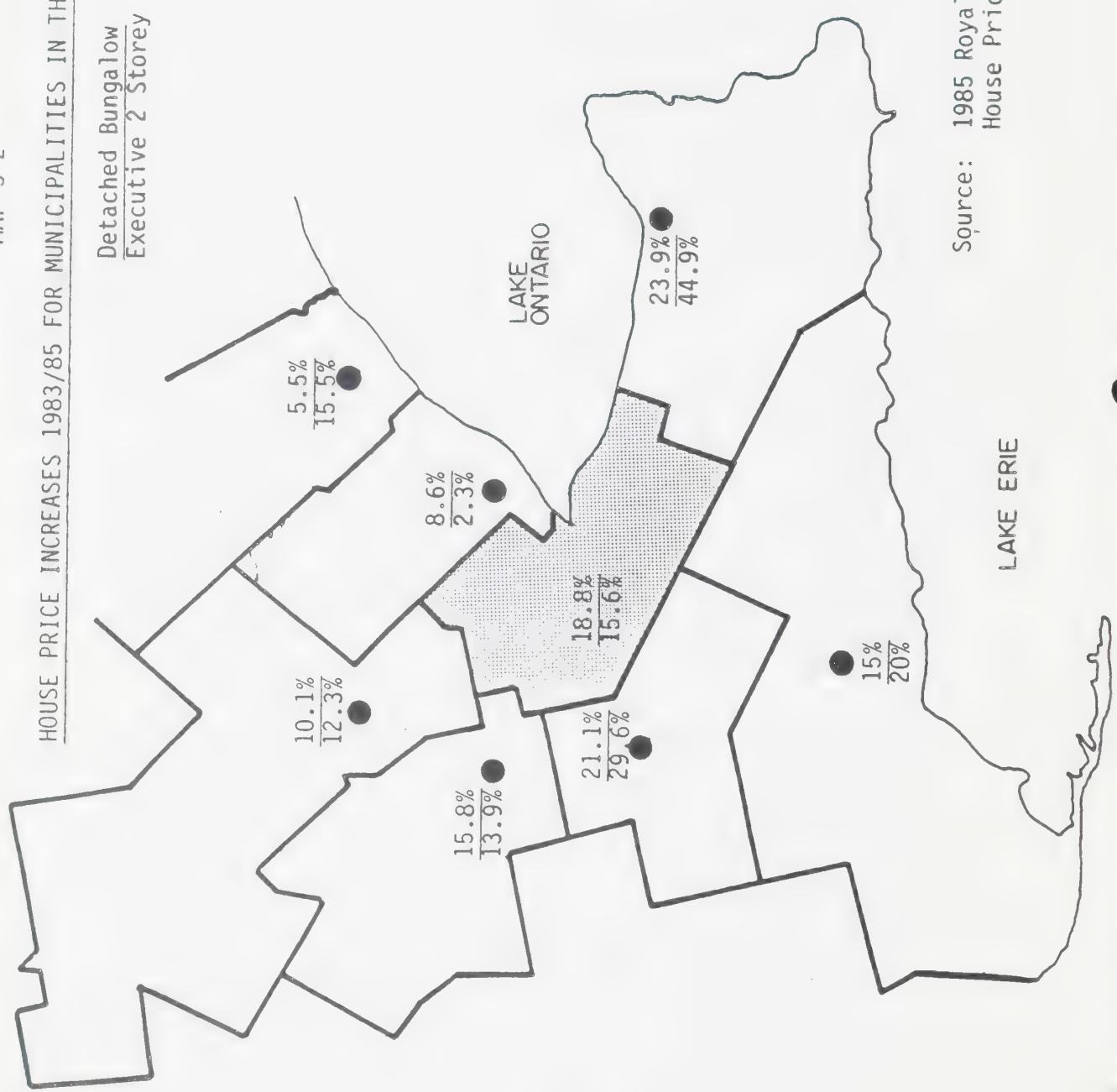
DETACHED BUNGALOW										EXECUTIVE DETACHED TWO-STORY										STANDARD TOWNHOUSE									
(3 bedroom, 1200 sq.ft., 5500 sq.ft. lot, 1-1/2 bathrooms)					(2-storey, 4 bedroom, 2-1/2 bathrooms, 2000 sq.ft., 6500 sq.ft. lot)					(3 bedroom, 1500 sq.ft., 3500 sq.ft. lot)					(3 bedroom, 1-1/2 bathrooms, 1000 sq.ft.)					STANDARD TOWNHOUSE									
OCT'85		OCT'84		OCT'85	OCT'85		OCT'84		OCT'85	OCT'85		OCT'84		OCT'85	OCT'84		OCT'85	OCT'84		OCT'85	OCT'84		OCT'85	OCT'84		OCT'85	OCT'84		
PRICE	PRICE	PRICE	PRICE	PRICE	PRICE	PRICE	PRICE	PRICE	PRICE	PRICE	PRICE	PRICE	PRICE	PRICE	PRICE	PRICE	PRICE	PRICE	PRICE	PRICE	PRICE	PRICE	PRICE	PRICE	PRICE	PRICE	PRICE		
<u>Hamilton-Milton</u>																													
<u>Hamilton - Central</u>	73,000	97.3	-	-	107,000	93.0	-	-	76,500	94.4	45,000	101.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
- <u>East</u>	75,000	100.0	-	-	118,000	102.6	-	-	81,000	100	46,000	103.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	116.7		
- <u>Mountain</u>	75,000	100.0	70,000	100	115,000	100	112,000	100	-	-	44,500	100	39,000	100	-	-	-	-	-	-	-	-	-	-	-	-	-		
- <u>West</u>	80,000	106.7	-	-	143,000	124.3	-	-	91,000	112.4	58,000	130.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100		
<u>Halton</u>																													
<u>Burlington</u>	89,000	117.3	82,000	117.1	135,000	117.4	132,000	117.9	85,000	102.5	62,000	139.3	58,000	148.7	-	-	-	-	-	-	-	-	-	-	-	-	69,000	143.7	
<u>Georgetown</u>	88,000	117.3	-	-	126,000	109.6	-	-	82,000	101.2	56,000	125.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<u>Milton</u>	84,000	112.0	77,000	110.0	124,000	107.8	113,500	101.3	-	-	62,000	139.3	49,500	126.9	-	-	-	-	-	-	-	-	-	-	-	-	50,000	104.2	
<u>Oakville</u>	102,000	136.0	97,000	138.6	160,000	139.1	155,000	138.4	-	-	67,000	150.6	63,000	166.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<u>Brantford</u>	71,000	94.7	64,500	92.1	125,000	108.7	95,000	84.8	73,000	90.1	35,500	79.8	33,500	85.9	-	-	-	-	-	-	-	-	-	-	-	-	49,500	103.1	
<u>Wellington</u>																													
<u>Guelph</u>	76,000	101.3	74,000	105.7	119,000	103.5	115,000	102.7	74,000	91.3	43,000	96.6	40,000	102.6	-	-	-	-	-	-	-	-	-	-	-	-	-		
<u>Waterloo</u>																													
<u>Cambridge</u>	72,500	96.7	65,000	92.8	115,000	100	100,000	89.3	93,000	114.8	38,500	86.5	32,500	83.3	-	-	-	-	-	-	-	-	-	-	-	-	-		
<u>Niagara</u>																													
<u>St. Catharines</u>	72,500	96.7	61,500	87.9	127,500	110.9	105,000	93.8	87,000	107.4	52,000	116.8	42,500	109.0	-	-	-	-	-	-	-	-	-	-	-	-	45,000	93.7	
<u>Peel</u>																													
<u>Mississauga-Meadowvale</u>	98,000	130.7	-	-	157,900	137.3	-	-	120,000	148.1	51,500	115.7	-	-	-	-	-	-	-	-	-	-	-	-	-	45,000	93.7		
<u>Brampton</u>	104,000	138.7	92,000	131.4	150,000	133.0	118,000	105.4	94,000	116.1	60,000	134.8	50,000	128.2	-	-	-	-	-	-	-	-	-	-	-	-	46,000	95.8	

\* Percentages calculated with reference to the fair market value in Hamilton-East, which is shown as 100.

SOURCE: "Royal LePage Survey of Canadian House Prices", Fall 1985.

MAP 5-2

## HOUSE PRICE INCREASES 1983/85 FOR MUNICIPALITIES IN THE HAMILTON-WENTWORTH AREA



Source: 1985 Royal LePage Survey of Canadian House Prices and Supplementary Data

TABLE 5-2

COMPARISON OF HOUSING PRICE INCREASES 1975-85  
FOR MUNICIPALITIES IN THE HAMILTON-WENTWORTH AREA

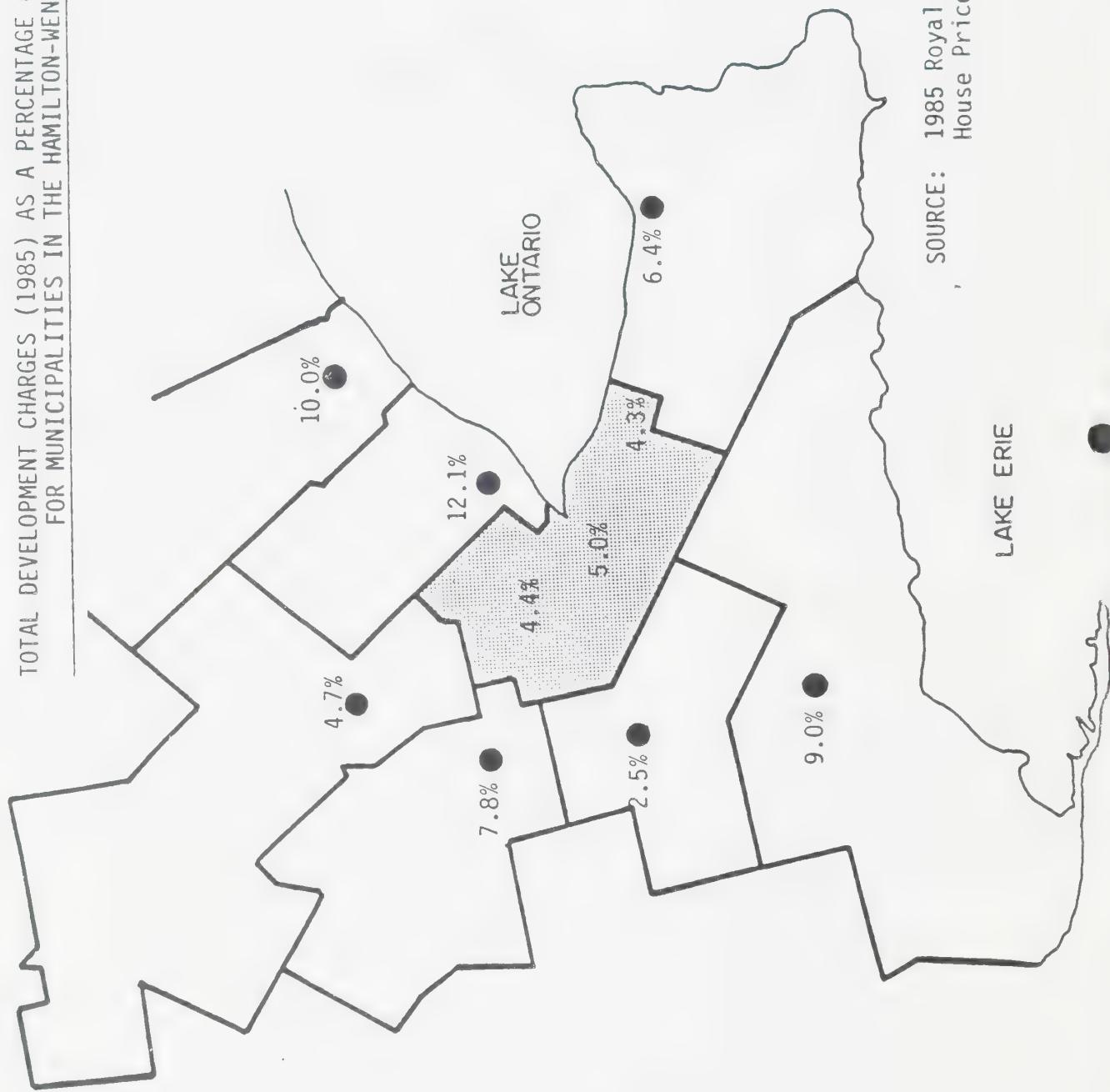
	<u>% Increase*</u>							
	<u>1975-1980</u>		<u>1980-1985</u>		<u>1983-1985</u>		<u>1975-1985</u>	
	Detached Bungalow	Exec. 2-Storey	Detached Bungalow	Exec. 2-Storey	Detached Bungalow	Exec. 2-Storey	Detached Bungalow	Exec. 2-Storey
Hamilton	21.4	13.6	27.7	38.0	18.8	15.6	55.1	56.8
Burlington	22.3	18.6	28.5	32.3	8.6	2.3	57.1	57.0
Oakville	23.8	43	30.8	28.5	11.7	10.3	61.9	83.9
Guelph	20.4	13.3	28.8	40.0	10.1	12.3	55.1	58.7
Cambridge	-	-	43.8	53.3	15.8	13.9	-	-
St. Catharines	32.1	26.6	30.6	62.4	23.9	44.9	72.6	105.6
Mississauga	10.8	11.2	33.1	46.5	5.5	15.5	47.5	62.9
Brampton	-	-	44.4	37.9	13	6.6	-	-

\* The percentages are calculated between one time period and the next for each individual municipality

SOURCE: "Royal LePage Survey of Canadian House Prices", Fall 1985.

MAP 5-3

TOTAL DEVELOPMENT CHARGES (1985) AS A PERCENTAGE OF VACANT LAND PRICES  
FOR MUNICIPALITIES IN THE HAMILTON-WENTWORTH AREA



SOURCE: 1985 Royal LePage Survey of Canadian  
House Prices and Supplementary Data

TABLE 5-3

DEVELOPMENT CHARGE, LAND AND HOUSE PRICE RELATIONSHIPS  
IN THE HAMILTON-WENTWORTH AREA

<u>Regional &amp; Municipal Development Charge</u>	<u>Vacant Land Price<sup>1</sup></u>	<u>Two-Storey House Price<sup>2</sup></u>	<u>Levy as a % of Land Price</u>	<u>Levy as a % of House Price</u>	<u>Land Price as a % of House Price</u>
Stoney Creek	1,557	36,000	N/A	4.3	N/A
E. Hamilton	1,557	28,500	118,000	5.5	1.3
Hamilton Mtn.	1,243	25,000	115,000	5.0	1.1
Ancaster	1,757	40,000	N/A	4.4	N/A
Dundas	1,807	30,000	N/A	6.0	N/A
Flamborough	1,628	30,000	N/A	5.4	N/A
Burlington	6,056	50,000	135,000	12.1	4.5
Guelph	1,500	32,000	119,000	4.7	1.3
St. Catharines	1,605	25,000	127,500	6.4	1.3
Cambridge	2,325	30,000	115,000	7.8	2.0
					N/A

<sup>1</sup>Average price of serviced subdivided land (5,500<sup>2</sup> ft.); information supplied by local realtors

<sup>2</sup>From Royal LePage Survey of Canadian House Prices, Fall 1985

## 5. ANTICIPATED IMPACT OF DEVELOPMENT CHARGE POLICY ON GROWTH

### 5.2 Residential Development (Cont'd)

Map 5-4 expresses total development charges as a percentage of typical bungalow house prices. Hamilton-Wentworth municipalities are generally in the 1.7-2.0%<sup>1</sup> range which is higher than Brantford, comparable with Guelph, below Cambridge, Simcoe and St. Catharines and substantially below Burlington and Mississauga. Once again, the indications are that development charges in Hamilton-Wentworth are relatively low and could be increased without major impact on the market.<sup>2</sup>

#### Conclusion

It is difficult to establish with certainty the impact which an increase in Regional development charges will have on lot and/or house prices.

It is equally difficult to determine the impact that any such increase would have upon the market and on development activity in the Region. However, indications are that development charges in Hamilton-Wentworth are relatively low and could be increased without having major impact on the market. Movement from the current \$1,200-1,800 range (upper plus lower tier charges) into a higher range, where fully justified, would appear to be feasible.

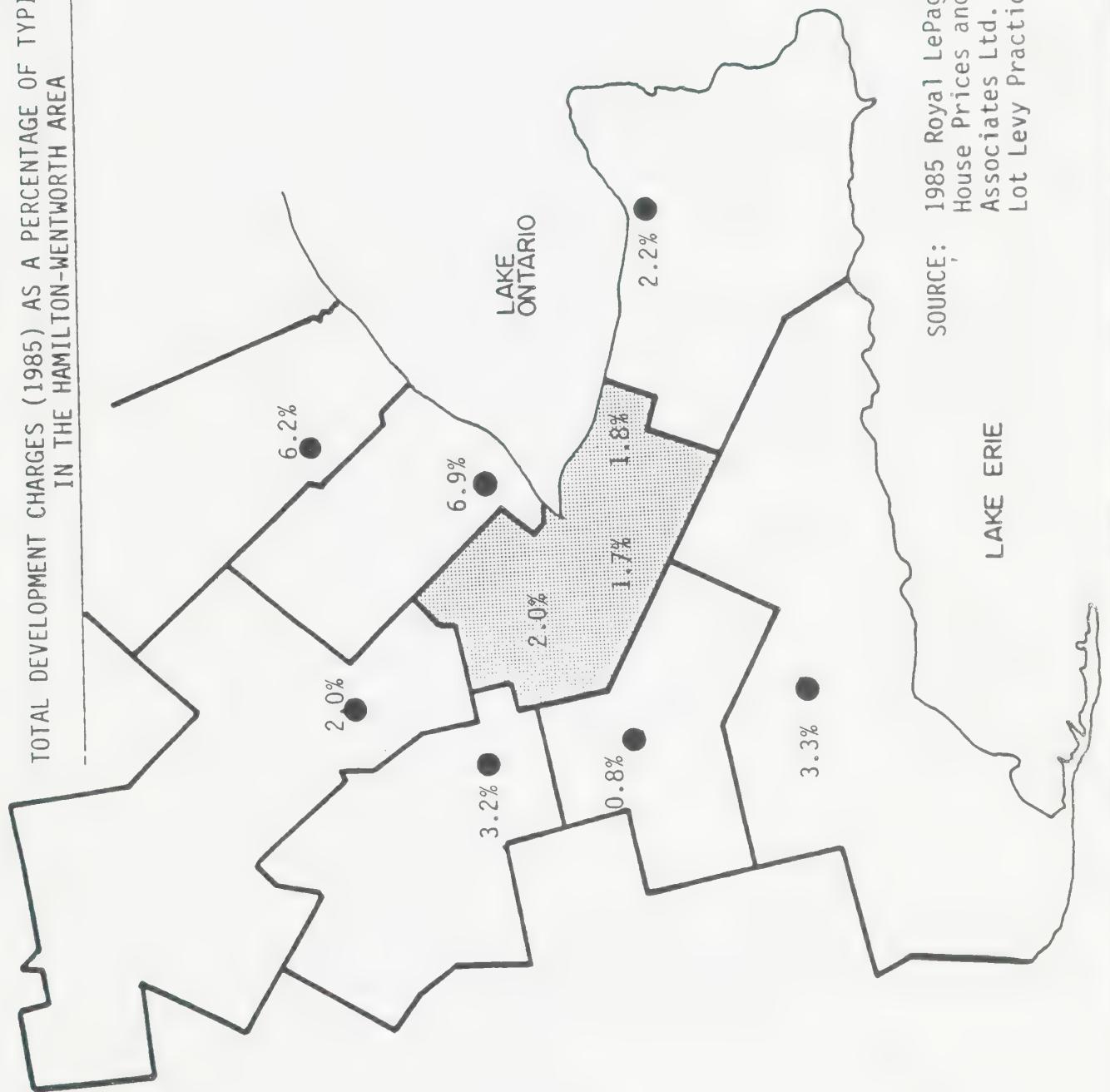
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<sup>1</sup> A brief presented to the Region by the Hamilton Homebuilders' Association in November, 1985 indicated that the City of Hamilton's "... policy of calculating park dedication on lot values (minus hard servicing costs) effectively triples the cost" from \$550 everywhere else, to \$1,500 in Hamilton. However, an overall comparison of servicing costs (per lot), including hard costs, soft costs (primarily consulting) and levies, indicated that the highest total costs were in Flamborough \$11,006, followed by Hamilton at \$10,855. Stoney Creek and Dundas were at \$10,405 and \$10,235, respectively, with Ancaster at \$9,205.

<sup>2</sup> The 1986 Royal LePage Survey of Canadian House Prices indicates that development charges in Hamilton-Wentworth as a percentage of standard bungalow prices have fallen to 22-24% of the percentage in Burlington and Mississauga respectively.

MAP 5-4

TOTAL DEVELOPMENT CHARGES (1985) AS A PERCENTAGE OF TYPICAL BUNGALOW HOUSE PRICES  
IN THE HAMILTON-WENTWORTH AREA



SOURCE: 1985 Royal LePage Survey of Canadian  
House Prices and C.N. Watson and  
Associates Ltd. 1985 Survey of Municipal  
Lot Levy Practice

## 5. ANTICIPATED IMPACT OF DEVELOPMENT CHARGE POLICY ON GROWTH

### 5.3 Commercial/ Industrial Development

Map 5-5 (and Table 5-4) indicates the price of industrial land in Hamilton-Wentworth and vicinity. Prices within the Region typically range from \$30,000 - 90,000 per acre, which is comparable to the situation in Guelph and St. Catharines. Brantford, Simcoe and Cambridge prices are just below this range, Burlington prices are at the upper end of it and Mississauga prices are much higher. This suggests that the Region's price levels are generally in line with the competition, but areas to the west do have a significant price advantage and do represent a viable choice for major industry (as the recent Toyota selection of Cambridge demonstrates).

Figure 3-10 in Chapter 3 summarizes the quantum of industrial/commercial development charges in the major regions and municipalities in the Hamilton area. None of the six regions and only 11 of the 33 area municipalities impose a commercial or industrial development charge. These charges vary according to construction value, building size and site area. None of the area municipalities in Hamilton-Wentworth impose such charges, presumably, to encourage industrial/commercial growth.

A number of years ago, Halton Region was considering imposition of an industrial/commercial levy (as recommended by its consultants). The Urban Development Institute made a submission to the Region, putting forward its point of view. This report produced the following findings:

1. "Industrial-commercial assessment contributes a net annual operating surplus of \$100 per acre".
2. "Industrial-commercial assessment also contributes to local and school revenues".
3. "Industrial-commercial development is important to the Regional economy: employment opportunities, community contributions, indirect impacts".
4. "There is intense competition among municipalities to attract industrial-commercial development. Regional municipalities within Southwestern Ontario have taken steps to upgrade their industrial development function ... with respect to job opportunities in a period of projected decline in Ontario's secondary manufacturing sector, Halton will need to

## 5. ANTICIPATED IMPACT OF DEVELOPMENT CHARGE POLICY ON GROWTH

### 5.3 Commercial/ Industrial Development (Cont'd)

attract an increasing share of new manufacturing jobs to meet Regional employment forecasts. In addition, no regional municipality in Southern Ontario currently charges a levy on industrial land. These regions view industrial-commercial assessment as providing a net benefit to the community and are seeking to encourage such development".

5. "The long-term impact of an industrial-commercial land levy is reduced land development. While the proposed levies (\$2,100-4,200 per acre) may seem rather small as a percentage of the selling price of industrial-commercial land in the Region, a levy of several thousand dollars per acre represents a major portion of the margin which a real estate developer would hope to achieve for developing industrial-commercial land".
6. "The impact of an industrial-commercial land levy would be counter to the objectives of Halton's Economic strategy... The imposition of a levy is likely to cause a negative indirect impact as well. This relates to the 'signal' which the imposition of such a levy would provide to prospective new entrants to the Regional economy".

This submission presents the developers point of view, relative to industrial/commercial charges, but it does make a number of valid points.

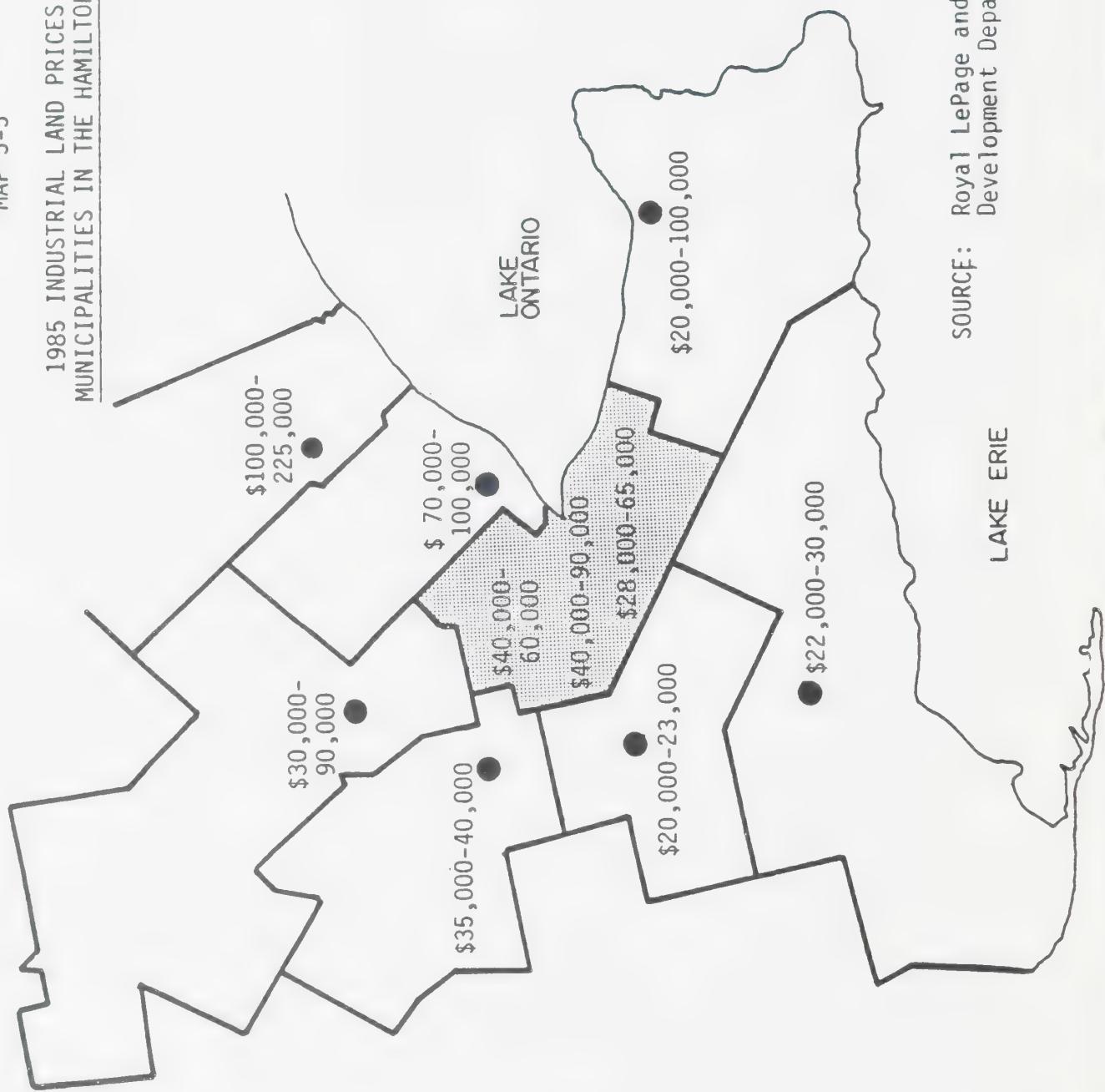
Our conclusion, is that the Region should not institute a uniform development charge for industrial/commercial development at this time. It should, instead, continue its present site specific charge policy via local improvements and site plan agreements and endeavour to recoup a reasonable share of its servicing costs through land sales.

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"Some Impacts of Industrial-Commercial Development in Halton Region - A Submission by the Halton Region Liaison Committee of The Urban Development Institute/ Ontario", Peat Marwick and Partners, 1980.

MAP 5-5

1985 INDUSTRIAL LAND PRICES PER ACRE FOR  
MUNICIPALITIES IN THE HAMILTON-WENTWORTH AREA



SOURCE: Royal LePage and Municipal Economic Development Departments

TABLE 5-4

INDUSTRIAL LAND PRICES IN THE  
HAMILTON-WENTWORTH AREA - 1985

	<u>Price/Acre for Serviced Industrial Land</u>	<u>% of Hamilton Mountain mid range</u>
<u>Hamilton-Wentworth<sup>1</sup></u>		
Mountain	\$40,000 - 65,000	100.0
East	30,000 - 75,000	100.0
Central	80,000 - 90,000	161.9
West	40,000 - 60,000	95.2
<u>Halton<sup>2</sup></u>		
Burlington	\$70,000 - 100,000	161.9
Georgetown	40,000 - 50,000	85.7
Milton	50,000 - 60,000	104.8
Oakville	80,000 - 110,000	180.9
<u>Peel<sup>2</sup></u>		
Mississauga	\$100,000 - 225,000	309.5
Brampton	\$100,000 - 135,000	223.8
<u>Wellington<sup>2</sup></u>		
Guelph	\$30,000 - 90,000	114.3
<u>Niagara<sup>2</sup></u>		
St. Catharines	\$20,000 - 100,000	114.3
<u>Waterloo<sup>2</sup></u>		
Cambridge	\$35,000 - 40,000	71.4
<u>Brant<sup>2</sup></u>		
Brantford	\$20,000 - 23,000	41.0

<sup>1</sup>Information supplied by Regional Economic Development Department

<sup>2</sup>Royal LePage Industrial Property Mart, 1985 and Municipal Economic Development Departments.

6. THE REGION'S CAPITAL  
EXPENDITURE REQUIREMENTS

## 6. THE REGION'S CAPITAL EXPENDITURE REQUIREMENTS

### 6.1 Eligible Costs

This Chapter examines Regional growth-related capital spending plans, consistent with the principles outlined in Section 1.4 of this report. The focus is on "hard services" - sanitary and storm sewerage, water and roads, (both oversizing and external plants and connections) although the Region's significant commitment to new hospital construction is considered, along with the remaining Regional services, reviewed under the "General Expenditures" category. The results of this analysis, in terms of the costs per capita to be considered, are summarized in Section 6.9.

The wording of the "Minister's Conditions" which commonly refers to "... with respect to provision of roads, drainage and installation of services", suggests that the subject matter of development charges should be capital expenditures.

This viewpoint was adopted by A.M.O. in their position paper on levies wherein it is stated that:

"The Association believes that the inclusion of operating costs in the calculation of lot levies should not be permissible. Operating costs are the responsibility of the municipality and should be funded through the general tax levy.

On the other hand, A.M.O. strongly maintains that a fair share of growth-related debt charges -- costs already incurred and costs to be incurred -- should definitely be included in the lot levy charge."

The practice of dealing exclusively with capital costs is very rarely deviated from by municipalities in Ontario in development charge calculations.

Seven separate cost categories are examined in the following sections:

- 6.2 Subdivision Service Oversizing
- 6.3 Regional Water Works
- 6.4 Regional Sanitary Sewerage Works
- 6.5 Regional Storm Sewerage Works
- 6.6 Regional Roads
- 6.7 Regional Contribution to Hospitals
- 6.8 General Expenditures (waste disposal, police, administration building, day care, homes for the aged, Wentworth Library Board, Regional Airport, industrial land, and Regional transit).

## 6. THE REGION'S CAPITAL EXPENDITURE REQUIREMENTS

### 6.2 Subdivision Service Oversizing

It is Regional policy that for sewer and water services which are external to and abut subdivisions (not including reverse frontage situations), the subdivider is required to pay for the following (through a combination of local improvement commutations and capital cost contributions):

- 15" diameter sanitary sewers, including connection to an outlet;
- 36" diameter storm sewers (within Hamilton; in other areas of the Region, the local municipality is responsible for storm sewerage);
- 8" diameter water mains, including connection to an outlet;
- In addition, subdividers are compensated for the cost of internal services which they provide in the half streets adjoining school sites, for services abutting Regional lands, and for services applicable to future development on lands not yet subdivided. Under this policy, the Region also assumes responsibility for roadwork costs, where applicable. One foot reserves are established where oversizing has been required internal to a subdivision in order that the Region may enforce recovery of its investment in future, as development occurs in abutting subdivisions making use of this oversizing.

The Region has committed to paying oversize costs internal to subdivisions and for external services abutting subdivisions, beyond these dimensions. Hamilton-Wentworth is distinguished by the fact that it accepts this cost sharing responsibility for smaller pipe sizes and in a greater range of situations than do most other regions. It has revised its policy on a number of occasions over the years, to reduce the pipe size limits for which developers must pay in order to facilitate development and to be fair and equitable to the local development community, which is comprised primarily of relatively small developer and builder organizations. However, it must be recognized that this approach increases Regional costs and the development charge component required to underwrite them.

The Region's 1985 Budget (page 62) stated that:

"This year's Capital Budget incorporates some major policy changes from previous years. All future expenditures relating to the Region's share of subdivision development will be totally financed from lot levy collections, thereby alleviating the tax impact of these development related expenditures."

## 6. THE REGION'S CAPITAL EXPENDITURE REQUIREMENTS

### 6.2 Subdivision Service Oversizing (Cont'd)

As a result, subdivision oversizing costs represent the most significant use to which current development charge funds are being put. Subdivision oversizing is clearly a development-related capital expense, and an appropriate component of the Region's development charge policy. The costs involved are spread uniformly over all serviced development, rather than falling unevenly on each individual development. This makes development costs much more predictable and affordable across the Region. However, it represents a difficult expenditure to forecast in a detailed way. This is because the expenditures are diffuse and vary according to the particular subdivisions which are processed and the servicing requirements of the areas involved. Nevertheless, a significant level of expenditures of this type has been incurred in Hamilton-Wentworth over the years and is anticipated in future.

As part of the 1986-1990 Capital Budget process, Regional Engineering submitted estimates for "Subdivisions" and these were reviewed by the Finance Department and accepted by Regional Council in January, 1986. These estimates involve the following annual spending levels (January 1, 1986 price levels):

Water -	\$300,000/year (\$350,000 in 1986)
Sanitary Sewers -	\$380,000/year
Storm Sewerage -	<u>\$350,000/year</u>
TOTAL	\$1,030,000/year

The water and sanitary sewerage expenditures will be incurred as a cost of servicing new developments, Region-wide. Consistent with the Region's philosophy of uniform development charges and uniform sewer and water rates, these costs should be averaged across the entire population occupying new serviced development.

Table 6-1 presents two alternative bases for calculating the subdivision component of the Region's development charge. The first alternative makes use of the above-mentioned 1986-1990 forecast of subdivision expenditures. The alternative calculation is based on the assumption that spending for this purpose will continue at the 1980-1985 rate (plus inflation) as

## 6. THE REGION'S CAPITAL EXPENDITURE REQUIREMENTS

### 6.2 Subdivision Service Oversizing (Cont'd)

documented in Table 6-2. The results, which are compared with the current charge per single detached unit for sewer, water and storm drainage purposes, are as follows:

	<u>City of Hamilton</u>	<u>Elsewhere in the Region</u>
(a) Current Charge (5,000 sq.ft. lot)	\$557	\$372
(b) 1986-1990 Budget Basis	\$1,025	\$461
(c) 1980-1985 Spending Pattern	\$775	\$420

Subdivision oversizing costs are very difficult to anticipate five years in advance. In order to ensure that the amounts used are fully justified, the calculation has been based on alternative (c), which is approximately mid-way between the current charge for sanitary sewer, water and storm sewer purposes and the level suggested by the 1986-1990 budget forecasts.<sup>1</sup> This total has been further reduced by 20%, in order to make a reasonable allowance for oversizing costs which relate to the anticipated requirements of non-residential uses, and should therefore not be financed via residential development charges. This involves the following development charge per capita for the net cost to the Region of subdivision oversizing:

	<u>100%</u>	<u>80%</u>
- sanitary sewerage	\$ 49	39
- water	60	48
- storm sewerage (City of Hamilton only)	104	83
- roads	<u>14</u>	<u>11</u>
	<u>\$227/capita</u>	<u>\$181</u>

This \$181/capita component of the development charge must be monitored carefully at a minimum at three year intervals, as it is sensitive to subdivision activity and one foot reserve recoveries, as well as Regional policy regarding cost sharing.

---

<sup>1</sup> It is noted that Regional Finance Department staff favour the use of Alternative (b), the "1986-1990 Budget Basis".

TABLE 6-1  
Alternate Methods for Calculating the Subdivision  
Oversizing Component of the Regional Development Charge

Alternative One - Use of 1986-1990 Capital Budget Estimates

	<u>Sanitary Sewerage</u>	<u>Water</u>	<u>Storm Drainage</u>	<u>Roads</u>
Average Annual Spending	\$380,000	\$300,000	\$350,000	-
Less: Estimated One Foot Reserve Recoveries	36,000	36,000	18,000	-
Net Expenditure	344,000	264,000	332,000	-
Average Annual Serviced Population Increase	4,480	4,480	2,000	-
Net Cost/Capita	\$76.78	\$58.93	\$166.00	-

Alternative Two - Use of 1980-1985 Actual Spending (inflated to Jan. 1/86)

	<u>Sanitary Sewerage</u>	<u>Water</u>	<u>Storm Drainage</u>	<u>Roads</u>
Average Annual Spending	\$235,000	\$280,000	\$205,000	\$63,000
Less: Estimated One Foot Reserve Recoveries	35,000	35,000	15,000	5,000
Net Expenditure	200,000	245,000	190,000	58,000
Inflated to Jan./86	220,000	270,000	209,000	64,000
Average Annual Serviced Population Increase	4,480	4,480	2,000	4,480
Net Cost/Capita	\$49.11	\$60.27	\$104.50	\$14.29

<sup>1</sup> Rate for serviced single detached units in the City of Hamilton.

<sup>2</sup> Rate for serviced single detached units located elsewhere in the Region.

TABLE 6-2  
 Region of Hamilton-Wentworth  
 Capital Expenditures - Subdivisions 1980-1985

	<u>Sanitary Sewers</u>	<u>Water- mains</u>	<u>Storm Sewers</u>	<u>Roads</u>	<u>TOTAL</u>
1985	\$ 94,037	\$ 378,132	\$ 222,606	\$ 155,925	\$ 850,700
1984	150,545	171,704	159,772	63,019	545,039
1983	66,403	157,648	95,218	156,393	475,662
1982	133,796	196,113	87,371	-	417,280
1981	503,589	380,836	332,904	-	1,217,329
1980	<u>463,950</u>	<u>394,911</u>	<u>329,217</u>	<u>-</u>	<u>1,188,078</u>
TOTAL	\$ 1,412,320	\$ 1,679,344	\$ 1,227,088	\$ 375,337	\$ 4,694,088
Annual Average Spending	235,387	279,891	204,514	62,556	782,348

Source: "The Regional Municipality of Hamilton-Wentworth Development Policies Study, 1983" and subdivision agreement analysis by the Regional Finance Department.

## 6. THE REGION'S CAPITAL EXPENDITURE REQUIREMENTS

### 6.3 Regional Water Works

Information was obtained from the Regional Engineering Department as to growth-related capital projects falling into the following categories:

- a) "New Projects" from the 1985-1989 Capital Budget;
- b) "Work in Progress" from the same source;
- c) Major growth-related projects which are anticipated 1990-2001;
- d) Works already in place were not included in the analysis. Thus, the focus is on the funding requirements of current and future projects, rather than on works which have capacity for growth, but have already been financed.

In February, 1986 Regional Council approved the 1986-1990 Capital Budget and those costs were substituted for the 1985-89 budget estimates under item (a). Several residential growth-related projects were identified and appear in Table 6-3.

Item (b) contained a number of residential growth-related projects, although only the largest project has been included in Table 6-3.

The remaining five projects in Table 6-3 fall into category (c) - works which have been identified as potential requirements by Engineering staff, but fall outside of the 1986-1990 time horizon. A number of major residential growth-related projects were identified by Engineering staff for the 1991-2001 period, of which the largest and clearest requirements are itemized in Table 6-3.

More than 20 growth-related water projects involving almost \$30,000,000, were identified which represent debenture debt for which the Region is currently liable. In most cases, annual debt payments must be made on these projects to the mid-late 1990's. They have not been included on Table 6-3 as new growth must bear its share of these projects via the capital portion of its water user rates. Also, the Region has paid for surplus capacity in the system as of 1986 and development charges will be used to fund some surplus capacity as of 2001. Each individual project has a different capacity lifetime and coverage area; it is impractical to attempt to match each cost to the precise population which is expected to benefit from it. Frequently, the improvement is to the system as a whole which makes such matching even more difficult. Consequently, we are seeking only to match development charge collections 1985-2001, with the cost

TABLE 6-3  
 Region of Hamilton-Wentworth  
Major Growth-Related Water Works (000's \$ Jan. 1/86)

Project	Anticipated Year of Completion	1986 Cost, Net of Subsidy Allowance	Cost Allocation (%)			Residential Growth Cost
			Existing Community	Residential Growth	Non-Resid. Growth	
1. Pumping Station WH2A	2000	800	10	67	23	536
2. Pumping Station WH11A	2000	900	10	67	23	603
3. Pumping Station WH6B	1992	1,500	10	67	23	1,005
4. Cootes Drive Watermain	1992	1,500	10	67	23	1,005
5. Palm Ct., Stoney Brook Dr., Oakridge Dr. & Glen Cannon (#011502)	1986	288	10	90	-	259
6. Main Pumping Station W-HI Surge Protection (#011804)	1989	1,043	10	67	23	699
7. Hwy. 53 (Southcote Rd., Fiddlers Green) (#011701)	1988	918	10	67	23	615
8. Morden Neighbourhood 400 mm watermain (#011904)	1991	670	10	90	-	603
9. Reservoir W-AOA & Feeder Main (#011919)	1991	2,797	10	90	-	2,517
10. Barton St. Trunk Watermain (Glover to Winona)	1999	900	10	45	45	405
TOTAL	N/A	13,707	N/A	N/A	N/A	8,247

Source: Region of Hamilton-Wentworth Engineering Department

## 6. THE REGION'S CAPITAL EXPENDITURE REQUIREMENTS

### 6.3 Regional Water Works (Cont'd)

of major residential growth-related projects to be undertaken during that period.

Table 6-3 calculates a total water cost which is used in the development charge calculation, after making the following deductions:

- Eliminate a number of capital projects, as outlined above, where difficulties were involved in estimating the growth-related cost share;
- Discount costs to Jan. 1, 1986 dollars;
- Provide for possible M.O.E. subsidies (normally 10-20%)
- Provide a minimum attribution to the existing community of 10%, with larger allocations where justified, based on Engineering Department evaluation;
- Attribute a share to non-residential development (based on share of Region-wide acres expected to be developed annually).

The Regional population occupying new housing units 1986-2001, which amounts to 75,000 persons, is reduced by 5,000, since some of the new population will occupy unserviced development.

Dividing the net residential growth cost of \$8,247,000 from Table 6-3, by this population yields a per capita charge for water of \$117.

## 6. THE REGION'S CAPITAL EXPENDITURE REQUIREMENTS

### 6.4 Regional Sanitary Sewerage Works

The same approach outlined for water in Section 6.3 was followed for sanitary sewerage. The nine major growth-related projects selected for inclusion are shown in Table 6-4, with a 1986 cost, net of subsidies, of \$16,092,000. After making deductions for the share attributable to the existing community and for non-residential growth, a net residential growth-related cost of \$9,342,000 was arrived at. Dividing this amount by the gross population increase for the Region 1985-2001 occupying serviced development (70,000) yields \$133/capita.

An additional component of the sanitary sewerage levy relates to the cost of the Red Hill Creek Sewer Agreement, which was discussed in Section 1.2 B of this report. This agreement calls for repayment of a loan of almost \$7,200,000 to O.H.C. for sewers and easements provided in the early 1970's in the east Mountain portion of Hamilton. The Region is committed to making payments of \$250 per unit for each residential unit developed in a plan of subdivision in the City of Hamilton until 1997. This situation is analogous to a long term debt obligation, but has been included in the development charge calculation, unlike other indebtedness, because its repayment is directly linked to development charge collections. The amount provided for this purpose is 675 units/year x \$250/unit divided by an estimated annual Regional serviced population increment of 4,480, yields \$37/capita. (This project should be financed uniformly by development throughout the Region, as with any other eligible project, despite the financing arrangement made between O.H.C. and the Region.) These two components together total \$170/capita.

TABLE 6-4  
 Region of Hamilton-Wentworth  
Major Growth-Related Sanitary Sewerage Works

Project	Anticipated Year of Completion	1986 Cost, Net of Subsidy Allowance	Cost Allocation (%)			Residential Growth Cost
			Existing Community	Residential Growth	Non-Resid. Growth	
1. King Street Sewage Treatment Plant	1997	3,000	10	67	23	2,010
2. Twenty Mile Creek Trunk	1992	800	15	80	5	640
3. Mohawk Rd. West Trunk	1992	900	10	71	19	639
4. Clappison's Corners Sanitary Trunk	1987	2,983	10	67	23	1,999
5. Red Hill Creek - North Branch Trunk	1987	1,417	10	75	15	1,063
6. Woodward Ave. Sewage Treatment Plant - Odour Control	1991	3,450	70	20	10	690
7. West 5th St. - Stone Church Rd. Trunk	1988	202	10	90	-	182
8. Iona Trunk	1989	1,640	10	67	23	1,099
9. Mt. Hope Sewers	1993	1,700	20	60	20	1,020
TOTAL		16,092				9,342

Source: Region of Hamilton-Wentworth Engineering Department

## 6. THE REGION'S CAPITAL EXPENDITURE REQUIREMENTS

### 6.5 Regional Storm Sewerage Works

The same approach outlined for water in Section 6.3 was followed for storm sewerage. Only three major growth-related projects were identified and shown in Table 6-5, in part, because Regional responsibility for storm sewerage relates only to the City of Hamilton. The 1986 cost, net of subsidies, of \$4,677,000 was reduced to \$3,678,000 after making deductions for the share attributable to the existing community and for non-residential growth. Dividing this amount by the gross population increase for the City of Hamilton 1985-2001 occupying serviced development (34,000), yields \$108/capita. It is appropriate to levy this only against development in Hamilton since, under this system of divided Regional responsibility, the other area municipalities must provide and finance their own storm drainage works, whether through development charges or the tax base. (In the older portions of Stoney Creek, for example, 6-7% of the local mill rate is based on drainage area costs.)

TABLE 6-5  
 Region of Hamilton-Wentworth  
 Major Growth-Related Storm Sewerage Works  
(City of Hamilton responsibility only) (000's \$ Jan. 1/86)

Project	Anticipated Year of Completion	1986 Cost, Net of Subsidy Allowance	Cost Allocation (%)			Residential Growth Cost
			Existing Community	Residential Growth	Non-Resid. Growth	
1. Trunk Storm Sewer (West 5th St. - Stone Church Rd.) (#021803)	1988	600	10	90	-	540
2. Twenty Mile Creek Storm - Outlet Works (#021618)	1992	1,600	15	80	5	1,280
3. Red Hill Creek North Branch Trunk Storm Sewer (#021705)	1987	2,477	10	75	15	1,858
TOTAL		4,677	N/A	N/A	N/A	3,678

Source: Region of Hamilton-Wentworth Engineering Department

## 6. THE REGION'S CAPITAL EXPENDITURE REQUIREMENTS

### 6.6 Regional Roads

As part of the development charges review, the Regional Transportation Department provided an analysis entitled, "Transportation Improvements Due to New Development" on November 25, 1985. This study developed an approach to establishing growth-related capital costs, which was particularly suitable for consideration of road needs. The approach involved establishing the total cost for arterial road improvements from the time the "developing areas" were vacant until the time when they will be fully developed and then dividing by the total number of dwelling units within those areas. By taking large areas and extending the time frame of development, fluctuations have been smoothed out, yielding a more accurate approximation of average costs to be incurred. Dwelling units have been used as the base as the Transportation Department has found the number of vehicles created by new development to be more directly related to the number of new dwelling units, than to the overall increase in population (which has not increased as rapidly). The following basic assumptions underly this analysis:

- a) The complete cost of capital improvements to the Regional Road system within a developing area is due wholly to the demand created by the new development;
- b) The analysis was undertaken on the basis of the total projected population and industrial/commercial acreage as shown on the current neighbourhood plans for each of the specific areas identified (see page 6-16);
- c) Upon complete development of each of these areas, an arterial road system of four lanes will be required to service the residential and industrial development involved. A fifth lane will be required to service the commercial component where the abutting development is predominantly commercial (commercial/industrial requirements were separated from residential);
- d) The cost of constructing a new road is \$55.35/m<sup>2</sup>;
- e) No costs have been included for:
  - sidewalks, as they are either provided by the area municipality or the developer;
  - land acquisition, as land is normally dedicated as a condition of approval of new development;
  - construction of the N-S/E-W Freeway, which is considered separately.

## 6. THE REGION'S CAPITAL EXPENDITURE REQUIREMENTS

### 6.6 Regional Roads (Cont'd)

The following six residential development areas were considered:

- Hamilton Mountain Residential Area
- Saltfleet Community Development
- Corman/South Meadow
- Stoney Creek Lower Residential
- Waterdown Residential
- Dundas

In the case of the Hamilton Mountain Residential Area, a representative neighbourhood was identified. The neighbourhood is approximately 200 acres in size with an ultimate capacity of 1800 dwelling units. The cost of the required improvements is one half of the cost of all abutting roadway improvements (the remaining cost is attributable to the abutting neighbourhoods). This cost is estimated to be \$1,500,000 or \$20,000,000 for the 13-14 such neighbourhoods required to accommodate the 24,000 ultimate increase in dwelling units on the mountain.

The ultimate increase in the number of dwelling units is anticipated to be 24,000 and thus the total costs above can be scaled by a factor of 24,000/1800 or 13.3 to determine the total cost of improvements.

The other five areas were evaluated on the basis of specific road requirements in accordance with the above assumptions.

The result of this analysis has been extracted from the November 25 report and appears on the next page. It has been determined from this procedure, that the total average cost per dwelling unit for growth-related improvements to the Regional road system in residential areas is \$644. This represents an ultimate growth-related expenditure of \$33,445,000, divided by the ultimate number of benefiting units, estimated at 51,954. In the case of roads, it is difficult to estimate a shorter term program (e.g. 1986- 2001) and hence the Regional Transportation Department favours the use of a method geared to ultimate development requirements.

The net Regional share of this cost is 50% or \$322.00, as the average M.T.C. subsidy to the Region amounts to approximately 50% for these types of improvements. As 71% of the P.M. peak hour vehicle trips on the arterial

REGIONAL ROAD IMPROVEMENTS REQUIRED BY NEW DEVELOPMENT

		Residential			Commercial			Industrial			
Specific Area	D.U.'s	Reg. Rd. Cost	Total Rd. Cost	Regional cost/du.	Reg. Assoc. cost	Total Assoc. cost	Regional cost/acre	Total cost/acre	Area(Ac) cost	Ref. cost/acre	Total cost/acre
1) Ham. Mtn Res. Area	24,000	\$20M	21.3M	\$ 833	\$889Q	160	\$2.67M	2.67M	\$16,667	---	---
2) Htn. Ind. Area	--	--	--	--	--	--	--	--	860	\$6.939M	\$7.063M <del>\$8,068</del>
3) Saltfleet Community	15,200	\$3.58M	11.55M <del>\$23.35</del>	\$7602a	46	\$0.18M	0.18M	\$3,921	---	---	---
4) Corman/ South Hd.	1316	\$2.1M	\$2.93M <del>3</del>	\$1596	\$2,22638.9	\$0.162M	\$0.162M	\$18,200	---	---	---
5) S.C. Ind. Park	--	--	--	--	--	--	--	--	1660	\$4.275M	\$9.088M <del>\$2575</del>
6) S.C. Lower Resident.	4100	\$2.94M	5.415M	\$717	\$13205	29.2	0.382M	0.763M <del>6</del>	\$13,076	---	---
7) Waterdown Indust.	--	--	--	--	--	--	--	--	600	0.71M	0.926M <del>\$1180</del>
8) Waterdown Resident.	3800	\$3.595M	\$3.811M <del>\$3.946</del>	\$10038	11.9	\$0.302M	0.302M	\$25,400	---	---	---
9) Dundas	3538	\$1.23M	\$1.23M	\$348	--	--	--	--	--	--	--
10)Anc. Ind. Park	--	--	--	--	51	nil	0.446M <del>2</del>	nil	\$8,751D	700	\$0.71M <del>4.163M</del> \$1013
TOTALS	51954	\$33.445M	\$46.236M	\$644	\$890	307	\$3.696M	4.523M	\$12,039	\$14,733	3830 \$12.634M \$21.240M \$3,307 \$5,560

① City of Hamilton cost of \$1.3M from general levy.

② City of Hamilton cost of \$124,000 is net cost after deducting abutting owner's share of \$451,000 under Local Improvement Act.

③ City of Stoney Creek cost of \$1.36M included (Proposed policy may recover 50% of cost from lot levies); Provincial cost of 2.838M included.

④ City of Stoney Creek cost of \$333,000 included.

⑤ City of Stoney Creek cost of 1.22M included; Provincial cost of \$1.25M included.

⑥ Provincial cost of \$391,000 included.

⑦ Provincial cost of \$216,000 included.

⑧ Provincial cost of \$792,000 included.

⑨ Provincial cost of \$446,000 included.

⑩ Provincial cost of \$2,602M included; Town of Ancaster cost of \$852,000 included.

## 6. THE REGION'S CAPITAL EXPENDITURE REQUIREMENTS

### 6.6 Regional Roads (Cont'd)

roadway system is attributable to home-based trips<sup>1</sup>, the residential component of the cost of roadway improvements is thus 70% of \$322.00 or \$225.00. This amount would be applicable to low density housing, with a lesser figure for apartments.

In addition to the costs for upgrading the existing arterial road system, the East-West/North-South expressway should also be considered. Construction of the entire link is planned for completion by 2001.

The cost of this facility is estimated as follows:

Total Cost (1986 \$)	\$ 149,500,000
Possible MTC Subsidy (68%) <sup>2</sup>	<u>101,700,000</u>
Regional Cost	\$ 47,800,000
Cost Attrib. to Through Traffic (8%)	<u>3,824,000</u>
Net Cost	\$ 43,976,000

According to "Mountain East-West and North-South Transportation Corridor Volume I, Environmental Assessment Submission", the specific goals of the undertaking include:

1. Provision of an acceptable level of transportation service recognizing aspects of safety, energy efficiency and operating costs; (It is pointed out that, "The rate of accidents on controlled-access facilities is 50 percent lower than other urban roadways" (p. 2-3) and "The provision of an efficient transportation network to reduce travel costs is a positive response to current local,

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<sup>1</sup> "... (the preceding discussion underlines) the strong interrelationship between place of residence and the location of employment, shopping and institutional development as determinants of travel demand. During the P.M. peak period, approximately 71 percent of person-trips are "return home" trips;"

"East-West and North-South Mountain Transportation Corridor", Vol. 1, Environmental Assessment Submission, Regional Municipality of Hamilton-Wentworth, December, 1982, p. 3-16.

## 6. THE REGION'S CAPITAL EXPENDITURE REQUIREMENTS

### 6.6 Regional Roads (Cont'd)

- regional and national concern regarding energy conservation. It is a major benefit to residents and businesses within the Region" (p. 2-5) and "Planned improvements are aimed at providing an integrated and co-ordinated transportation system which will meet expected changes in transportation technology and user attitudes, and will accommodate increases in demand related to planned development, as well as provide a stimulus for development and economic growth" (p. 2-6).)
2. Development of an improved truck route network within the Region; ("Although the magnitude of the volumes represents less than 10 percent of the total traffic, heavy truck traffic contributes greatly to the basic traffic annoyance factors of excessive noise and air pollution" (p. 2-2); Also, "... good roadway access becomes a major factor in industrial location decision-making" (p. 2-2); and finally, "The proposed facility will upgrade the current level of accessibility under the planned growth of the Region. The efficient movement of goods and services is being affected by the current lack of attractive transportation routes (p. 2-19).)
  3. Reduction of traffic nuisance in established and proposed residential areas; ("As the level of congestion on the major roadways rises, corresponding increases in through traffic along residential streets have occurred" (p. 2-4).)
  4. Provision of a catalyst to promote development in accordance with the Official Plan; ("The current low level of accessibility is cited as a contributing factor to the slow development of the designated residential and industrial lands south of the Escarpment" (p. 2-2) and, "... unless major road improvements are provided, no significant growth will occur on the Mountain due to the poor accessibility which would be provided by the present road system" (p. 2-13) and, "The present (1982) roadway network crossing the Escarpment is approaching the available capacity. This varies according to each screenline. The West Screenline (Highway 403) is operating at approximately 45 percent of its capacity. The central Mountain accesses (Central Screenline) are approaching 95 percent of the available capacity. The easterly screenline comprised of Mount Albion Road and Highway 20 (East Screenline) is operating at 75 percent of its capacity.").

## 6. THE REGION'S CAPITAL EXPENDITURE REQUIREMENTS

### 6.6 Regional Roads (Cont'd)

5. Minimization of the adverse effects of increases in transportation demand as growth takes place; and
6. Reinforcement of the desired balance between the use of public and private transportation.

There are a variety of approaches which can be used in establishing the share of this cost which is growth-related and allocating it to new residential units. Two considerations should be borne in mind:

1. This is the largest single project ever undertaken by the Region and will be implemented over a period of 15 years, or possibly longer. It has capacity for a much larger population than Hamilton-Wentworth is expected to attain by 2001. The Regional Transportation Department estimates that capacity to be almost 40,000 additional housing units. An appropriate share should therefore be allocated over this growth increment.
2. The facility will benefit a large percentage of the 155,000 residential units presently in the Region. The requirement may have been "triggered" by the requirements of growth; but, it is not 100% a growth-related project. This is apparent from the Environmental Assessment Report referenced above. The facility will increase the current level of service provided by the Region in terms of safety, energy efficiency and operating costs. It will reduce the traffic nuisance in established neighbourhoods. It will provide a catalyst to promote development and economic growth. It will provide an integrated and co-ordinated network for truck traffic and reduce the significant traffic annoyance impact of those road users. The road network crossing the escarpment was virtually at available capacity for the Central Mountain accesses, but Highway 403 was only operating at approximately 45% of capacity, Mount Albion Road/ Highway 20, at 75%.

It is assumed herein that 65% of this cost relates to residential requirements and 35% to non-residential needs. The former is lower than the 71% "return home" trips percentage, in order to account for the emphasis placed on stimulating economic development and dealing with the higher traffic nuisance potential of trucks.

Based on the above information, it is assumed herein that at least 50% of the cost of the facility relates to

## 6. THE REGION'S CAPITAL EXPENDITURE REQUIREMENTS

### 6.6 Regional Roads (Cont'd)

the requirements of future growth, rather than to the requirements of the existing population. As a result 32.5% (65% x 50%) of the net cost is considered to be residential, growth-related. Allocating this over the 40,000 unit growth anticipated over the long-term, yields \$357/unit.

Thus, the growth-related cost of upgrading the arterial road system (\$225/unit) plus the above contribution to the Freeway (\$357/unit), totals \$582 per residential unit or \$171/capita.

## 6. THE REGION'S CAPITAL EXPENDITURE REQUIREMENTS

### 6.7 Regional Contribution to Hospitals

The Hamilton-Wentworth District Health Council has proposed a capital program to deal with health care problems. The objectives for this program are as follows:<sup>1</sup>

- to expand chronic care facilities to free up acute care beds;
- to provide for increasing demand for chronic care facilities;
- to expand outpatient facilities to meet demand and free up acute care beds;
- to provide an ambulatory centre in the east end of Hamilton and Stoney Creek to meet the needs of anticipated population growth;
- to provide for increasing demand for specialized facilities;
- to replace obsolete facilities.

The District Health Council inventory of existing and planned hospital beds (to 2001) in the Region is as follows:

	<u>Existing</u>	<u>Planned</u>	<u>Total</u>
Hamilton General	415	11	426
Henderson	614	0	614
Chedoke	346	175	521
McMaster	392	0	392
St. Joseph's	607	0	607
Hamilton Psychiatric	407	0	407
St. Peter's	284	100	384
 Total	 3,065	 286	 3,351

Of the 286 bed expansion, 211 (74%) are for chronic care.

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1. Information on the proposed hospital capital program was taken from a Finance Department memo (#104/85) dated May 7, 1985.

## 6. THE REGION'S CAPITAL EXPENDITURE REQUIREMENTS

### 6.7 Regional Contribution to Hospitals

The Health Council has stated that the proposed capital improvements will satisfy health needs until the year 2000, with virtually no further expenditures required in the interim. \$205,000,000 in construction is expected to occur over the period.

The Region has agreed to provide the following maximum funding for these projects:

St. Peter's Centre	\$2,900,000
Hamilton General	4,800,000
Chedoke McMaster	6,000,000
St. Joseph's Hospital	3,300,000
East Region Centre	<u>3,000,000</u>
	\$20,000,000

The recommended funding for the Region's share is as follows:

- a debenture issue of up to \$8.2 million;
- a contribution from development charge reserves of \$5.9 million;
- a special hospital tax levy totalling \$2.075 million per annum from 1986 to 1991 and \$1.4 million per annum from 1992 to 1995.

The proposed hospital expenditures provide service improvements for existing residents as well as growth related facilities.

The estimate of the growth related share on which the Region based its development charges is as follows:

## 6. THE REGION'S CAPITAL EXPENDITURE REQUIREMENTS

### 6.7 Regional Contribution to Hospitals (Cont'd)

		Growth Related Share	Growth Related Regional Cost (Current \$)	Rationale
	Hamilton-General	8%	\$ 400,000	- cost of space increment
	Chedoke-McMaster	14%	850,000	- facility for 111 additional beds - cost of emergency room & outpatients clinic expansion
	St. Peter's Centre	55%	1,600,000	- facility for 100 additional beds
	St. Joseph's	4%	130,000	- cost of emergency room, operating room & partial cost of dialysis unit expansion
	East Region Centre	90%	2,700,000	- new facility to serve East Hamilton & Stoney Creek (growth area)
			<hr/>	
			\$ 5,680,000	

This figure is generally in line with calculations using Ministry guidelines and costs. The Ministry of Health guidelines for acute and chronic care beds is approximately 5.75 beds per thousand population (converting the chronic care standard to a total Regional population based on estimates of population aged 65+ in 2001). The net population increase for Hamilton-Wentworth is projected to be 25,000 over the forecast period. This generates a demand for 144 new beds. The estimate of hospital capital costs was based on information for a new hospital from the Institutional Planning Branch of the Ministry of Health. The cost per bed is approximately \$180,000 with a normal Regional share at 25% or \$45,000 per bed (this share is somewhat higher than actual

## 6. THE REGION'S CAPITAL EXPENDITURE REQUIREMENTS

### 6.7 Regional Contributions to Hospitals (Cont'd)

Regional commitment since the proposed works include a number of specialized facilities). Using this method, the Regional cost of growth related hospital facilities would be \$6,480,000 (144 beds x \$45,000), somewhat higher than the Regional growth related share calculated above.

The Region has already agreed to fund a similar amount for hospital construction from development charges, in line with the above calculation of the growth-related share. However, this funding occurs over a period of years and converting the \$5.7 million to 1986 dollars, the total growth related hospital cost would be approximately \$4,250,000. This has been further reduced to provide for the following factors:

- |   |                |
|---|----------------|
| 1) Use of existing reserve funds consistent with the fact that a portion of the projects serve to relieve existing overcrowding situations and/or increasing service levels offered (20%) ... | \$850,000      |
| 2) Use of property taxation in the absence of commercial/industrial charges, to provide a cost share for hospital usage by non-residential development (10%) ...                              | <u>425,000</u> |

Net Residential Development Related Cost to be Factored into Future Development Charges      \$2,975,000

On a per capita basis (based on a growth population of 75,000), the development charge would be \$40.00.<sup>1</sup>

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<sup>1</sup> In this case and generally throughout the report, the 25,000 actual increase in population has been used as the basis for establishing the growth-related capital spending requirements. The cost to be financed by development is then shared equally by the 75,000 new housing occupants. This is the fairest and most accurate approach and has the effect of reducing development charge requirements.

## 6. THE REGION'S CAPITAL EXPENDITURE REQUIREMENTS

### 6.8 General Expenditures

#### Waste Disposal Facilities

In the early 1980's, the Region established a long term waste management system comprised of the following major components: the energy from waste municipal incinerator (SWARU); three transfer stations; and the 550 acre landfill site in Glanbrook Township.

A major retrofit of SWARU is currently underway at a total cost of approximately \$12 million. The purposes of the expenditure are to improve efficiency and reduce emissions from the plant. An addition is not being provided to the capacity of the plant and none is scheduled at this time.

The three transfer stations each have excess capacity except at peak periods. No additional facilities or expansions are planned over the next decade, although a \$200,000 expenditure (1986 \$) may be required in the post 1995 period.

The landfill site opened in 1981 and was designed with sufficient capacity for 25 years. Regional staff confirm that the life expectancy of the site itself, is beyond the turn of the century. However, site development occurs in phases. In 1987, a new cell is scheduled to open at a cost of \$194,000 (1986 \$). In ten years, the development of Stage 3 will be required at an estimated cost of \$140,000 (1985 \$).

The implementation of the long term waste management system was a major expenditure for the Region and was designed to provide for growth. New residents have already contributed to its costs through development charge funding of \$1.1 million in 1981 and indirectly through tipping fee charges and the financing of operating deficits via property taxation. Regional staff have identified future capital costs of \$534,000 before 2001 in connection with the phased growth of the landfill site and other facilities. This expenditure would be required eventually in the absence of growth to provide facilities for the existing population. The growth-related costs, therefore, relate to moving forward the required expenditures by a few years. Accordingly, the growth-related cost component for solid waste is not significant and forms part of the general component of the levy.

## 6. THE REGION'S CAPITAL EXPENDITURE REQUIREMENTS

### 6.8 General Expenditures (Cont'd)

#### Police

The Hamilton-Wentworth Regional Police Department divides the Region into three patrol divisions, each with a headquarters building and two additional substations. The department also maintains two other small unmanned facilities (Ancaster and Flamborough).

The Department does not prepare a five year capital forecast, but has given some consideration to its future facility needs.

The Regional headquarters building is located on King William Street in Hamilton. It was opened in 1977, at a total cost of approximately \$11 million. The expenditure was debentured and will be fully funded in 1996. This building is the headquarters for Division 1. The division is also served by the Dundas substation. This building will need to be replaced due to overcrowding and repair costs. It is not, however, a high priority with the Department. Consideration is being given to acquiring a surplus school, should one become available.

Division 2 is serviced by a headquarters station in Stoney Creek and the Kenilworth Avenue sub-station. Consolidation of these two facilities is the highest priority of the Department. Division 2 is the area where much of the Regional growth is occurring. The Kenilworth Avenue facility is overcrowded. The headquarters station is poorly located, since it is situated on the border with Niagara Region, rather than central to the Division. The Department has established criteria and begun the search for the suitable location. It is again considering the acquisition of a surplus school site, should one become available which meets its needs.

The Police Department is also planning to improve and expand its computer system over the next year. It has requested from the Region \$2.125 million to fund this project in the 1986 Capital Budget; a total of \$800,000 is projected to be funded from reserves.

With the exception of the computer system, which is essentially an upgrading expenditure and is already partly funded from reserves, the future capital requirements for police facilities have not as yet been clearly established. Moreover, the priorities identified by the Department are mainly based on alleviating current

## 6. THE REGION'S CAPITAL EXPENDITURE REQUIREMENTS

### 6.8 General Expenditures (Cont'd)

problems and improving service, rather than responding to needs which are specifically growth-related.

Accordingly, the share attributable to new growth at this time, would not be major at this time; however, a component of the general levy fund could be allocated for police purposes, as relevant projects are undertaken.

#### Administration Building

The majority of Regional administrative staff are currently housed in leased space in the Provincially-owned Ellen Fairclough Building. The Engineering Department is in the nearby Hamilton City Hall. Some staff are accommodated in other locations. Information from the Finance Department indicates that the Ministry of Government Services lease expires at the end of 1986, with an option to renew for an additional five years. There are currently no plans for the construction of a Regional administration building and no costs included in the five year Capital Budget. Consequently, no development charge component has been included for this purpose.

#### Day Care

The Region currently owns one day care centre, constructed in 1976 with full funding by the Province. The remaining Regionally subsidized day care spaces are purchased from private day care services.

Capital costs for day care facilities are eligible for 80% funding by the Province. However, the Region currently has no established plans to fund the construction of additional day care facilities. Therefore, no development charge component has been included for this purpose.

#### Homes for the Aged

The Region operates two homes at present, Macassa Lodge (366 beds) and Wentworth Lodge (210 beds). A \$5,100,000 renovation and refurbishing scheme is about to commence, 50% cost-shared with the Province. The purpose of these modifications is to enable the homes to perform more

## 6. THE REGION'S CAPITAL EXPENDITURE REQUIREMENTS

### 6.8 General Expenditures (Cont'd)

#### Homes for the Aged (Cont'd)

specialized functions -- skilled nursing for the mentally confused, including a teaching facility in the case of Macassa and an intermediate care facility involving nursing care and full bed care for Wentworth Lodge. However, these changes are not being made as a consequence of subdivision development occurring in the Region and do not provide a basis for development charges.

The Region currently has a significant waiting list (400+ persons) for home for the aged beds. A 100-150 bed facility at a fully-equipped gross cost of \$4,800,000 plus land may be justifiable, but does not presently have the status of Provincial funding and Regional Council agreement. In addition, the link between subdivision developments, the young families who are their primary market and an increased demand for homes for the aged beds is both indirect and long term. Consequently, no development charge component has been included for homes for the aged.

#### Wentworth Library Board

Library services in Hamilton-Wentworth are provided by the Hamilton, Dundas and Wentworth Library Boards. The Wentworth Board serves the City of Stoney Creek, the Towns of Ancaster and Flamborough and the Township of Glanbrook. Operating costs, capital out of current and a nominal rent for space (whether owned or rented) are apportioned among the four municipalities based on weighted, equalized assessment through the Regional budget. The tax levy for Wentworth Board libraries is collected as part of the Regional levy.

Each local municipality in the Wentworth Board, however, is responsible for the provision of space for library services through rental, construction, or purchase. Consequently, development charges for capital costs of library facilities, where applicable, should be established and collected by the individual lower tier municipalities, rather than at the Regional level.

#### Regional Airport

The Region of Hamilton-Wentworth assumed responsibility for the Hamilton Civic Airport in September, 1985. However, the Regional role is mainly limited to an intermediary accounting function, preparing budgets and

## 6. THE REGION'S CAPITAL EXPENDITURE REQUIREMENTS

### 6.8 General Expenditures (Cont'd)

#### Regional Airport (Cont'd)

financial statements for the Airport. The Federal government funds all operating and capital costs. This is not expected to change in future. Further, capital expenditures at the Airport are not considered to be a consequence of new subdivision development. Accordingly, no development charge component is included for this item.

#### Industrial Land

The Region purchases, develops and markets industrial land through its Economic Development Department. Its primary objectives are to diversify and expand the Region's economic and tax base in terms of new investment and new employment opportunities with existing industry and with new industry.

Over the long term, the purchase and servicing of industrial land is self-financing through a reserve fund accumulated from revenues from previous industrial land sales and through the pricing policy on current and prospective land sales. Consequently, there is no basis for a development charge, particularly a residential charge, for this purpose.

#### Regional Transit

Additional transit routes and buses are required, from time to time, as a result of residential growth. However, the Hamilton Street Railway, which is wholly owned by the Region and provides this service, charges its total net costs (capital and operating) to the benefitting municipalities on a cost per mile basis. Thus, the cost of new buses is ultimately borne at the local level and is not a potential component of the Regional development charge. However, the Region is planning construction of the \$20,000,000 Wentworth Street Transit Centre. This facility, which will have a net cost to the Region of \$5,000,000, has been oversized in response to recent and anticipated growth in the Region. It therefore represents one possible use of a development charge component for general expenditures.

## 6. THE REGION'S CAPITAL EXPENDITURE REQUIREMENTS

### 6.8 General Expenditures (Cont'd)

#### Conclusion

Most of the expenditure categories reviewed do not currently appear to have development-related spending implications; however a number of areas such as waste disposal, police and transit are affected by growth and the situation may well change in one or more of the other areas - administration facilities, for example. In the absence of more specific growth-related capital requirements, we recommend that a development charge for "General Capital Facilities" not be instituted at this time.

## 7. THE REGION'S APPROACH TO CAPITAL FINANCING

### 7.1 Development Charge Reserve Funds

Development charge funds have been expended only to a limited extent by the Region in the past (\$2,467,000 during the 1980-1984 period). It has chosen instead, to finance the majority of its growth-related capital expenditures from current funds. The emphasis has been on accumulating sound reserve fund balances and the fund, by the end of 1984, had grown to almost \$7,500,000. These funds are required in order to assist the Region in upfront financing of major projects, while making limited use of debenture debt. This need arises from Regional Council's February 1, 1983 formal adoption of a "Pay-As-You-Go Capital Financing Policy", whereunder the Region no longer issues debt for its own purposes. Most programs have reached Phase II of the plan. This eliminates the need for external debentures through the use of internal debt financing through revolving reserve funds, which are repaid through internal debt charges. The intention is for these programs to reach Phase III by 1994.

Reserves are also required in order to provide for unforeseen projects or cost escalations, for the reduction in development charge collections which comes with economic recessions or the accelerated requirement for capital spending which comes with growth spurts.

In addition, the 1985 Capital Budget introduced a new policy, wherein "All future expenditures relating to the Region's share of subdivision development will be totally financed from lot levy collections, thereby alleviating the tax impact of these development-related expenditures (as per s.116 of the Municipal Act)".

As a result of this change and other growth-related requirements, the Region's 1986-1990 Capital Budget calls for more than \$15,000,000 in development charge expenditures, for subdivision oversizing, hospitals and several major growth-related water and sanitary and storm sewerage projects. This amount is significantly in excess of anticipated development charge revenues during the same period even with the institution of the increases recommended.

## 7. THE REGION'S APPROACH TO CAPITAL FINANCING

### 7.2 Other Sources of Capital Financing

The Region's 1985-1989 Capital Forecast of \$257,000,000 involved financing of \$108,000,000 in subsidies and other receipts, \$90,000,000 as a contribution from the current budget (based on a Capital Levy of 1/4 mill equalized and a policy of setting sewer and water rates at a level sufficient to finance all operating and capital expenditures), \$16,000,000 as the owners' share of local improvements, \$37,000,000 in internal financing from reserves and only \$5,500,000 as a direct contribution from the "Lot Levy Reserve".

The largest areas of planned expenditure, in order of size, were roads, sanitary sewers, transit, water works, storm sewers and solid waste.

During the 1985-1989 period, Regional reserves were forecast to increase by \$10,000,000, to a total of \$32,000,000. At the same time, outstanding external indebtedness was forecast to diminish from \$81,000,000 in 1985 to \$51,000,000 in 1989, while outstanding internal debt increased by \$9,000,000 to \$46,000,000 in 1989.

## 7. THE REGION'S APPROACH TO CAPITAL FINANCING

### 7.3 Credit for Property Tax/ User Rate Payments

The criticism which is sometimes directed at the practice of charging development a one-time, up-front charge for capital requirements, is that the owner(s) of the raw land and the subsequent owner(s) of the developed site, pay property taxes and sewer/water user rates and a portion of these charges relates to capital expenditures.

A new taxpayer inevitably shoulders a portion of this burden, in relation to his property's assessment as a percentage of the municipal total. In doing so, he may be paying an appropriate share of the capital cost of growth through a development charge, and a share of additional duplicated or unrelated capital costs through his tax levy.

The method which should be used to avoid this problem, and make the system as equitable as possible, is to reduce the development charge by a credit which provides for this situation.

The annual property taxes levied on a new unit include a share relating to capital expenditures. With the payment of a development charge, the new owner pays an appropriate share of capital cost of growth. Through his tax levy, he would bear a share of additional capital costs, similar to those he has already paid for. To be equitable, therefore, the development charge should make allowance for this tax payment through the deduction of an appropriate capitalized amount.

The 1984 taxes in Hamilton-Wentworth included an 7.0% component relating to debt charges and capital contributions from current revenues (based on 1984 expenditures excluding sanitary and storm sewer and water).

According to the Region's 1985 Budget, the share of average residential property taxes for Regional purposes in 1985, ranged from \$300/unit - \$450/unit throughout the Region. Using a figure of \$400/unit, the 7% contribution amounts to \$28 per year.

However, some allowance should be made for a tax levy contribution by new units toward the improvement and ultimate replacement of facilities benefitting the entire community, as well as those provided for in the development charge calculations. The allowance for the ultimate replacement of the facilities involved (approximately \$700/unit) should be at least 2% per year or \$14. Using an additional allowance of \$5/year as the

## 7. THE REGION'S APPROACH TO CAPITAL FINANCING

### 7.3 Credit for Property Tax/ User Rate Payments (Cont'd)

contribution to common facilities within the Region, leaves a credit of \$9 per annum. This \$9 payment can be expected to increase at approximately 5% per year, in line with mill rate increases for inflation, and would continue over the very long term. This revenue stream, when discounted at a Regional discount rate (based on the cost of capital and/or reserve fund earnings potential) of 11%, would have a present value in the order of \$135. This is generally equivalent to using a "real" discount rate of 6%, which is the difference between the aforementioned two percentages. The \$135 per unit has been apportioned among the roads, hospitals and general facilities items, in order to yield the recommended charge.

A similar approach has been used to establish a credit for capital payments to be made through sewer and water user rates.

Residential users of the water and sewer system in Hamilton-Wentworth are required to pay user rates for the operation, administration and capital costs of the systems. The capital costs include contribution from current revenue for minor works and on-going repair and replacement, as well as debenture repayment costs for many existing works. Since the development charge is set to cover the capital cost of many sewer and water requirements for new units, the charge should be further reduced by a portion of the present value of this capital component of the user rates.

The 1985 sewer and water rates for a typical household<sup>1</sup> in Hamilton-Wentworth are estimated as follows. The capital share is based on the 1985 budget:

	\$/Household		
	Debenture Debt Total	Contribution to Capital Share	
Water - \$0.2575 x 275 cubic meters <sup>2</sup>	71	24	9
Sewer - (115% surcharge)	82	27	17
TOTAL	153	51	26
		-----	\$77

<sup>1</sup> Residences in Hamilton and a small section of Stoney Creek are not metered. Water and sewer charges are added to their tax bills using a formula based on the typical household consumption noted above related to average assessment.

<sup>2</sup> 1986 consumption estimate.

8. THE REGION'S DEVELOPMENT  
CHARGE POLICY

## 8. THE REGION'S DEVELOPMENT CHARGE POLICY

### 8.1 Introduction

This chapter establishes a number of underpinnings to the Region's development charge policy, which are required to put the growth-related costs per capita in a relevant policy context. These include:

- the basis for differentiating development charges by housing type;
- the recommended Regional position on differentiation by development location;
- the various legal bases for imposing development charges;
- the recommended Regional position on industrial/commercial development charges;
- timing of collection of the charges and a basis for keeping the policy current in future;
- observations concerning development charge administration requirements;
- recommendations concerning the custody and use of the funds generated;
- and finally, policy concerning potential exceptions and exemptions.

## 8. THE REGION'S DEVELOPMENT CHARGE POLICY

### 8.2 Differentiation by Size and Type of Development

In order for development charges to bear a fair and reasonable relationship to the proposed development, they should vary according to the nature of that development. In the case of residential development, the average number of persons who occupy different types of units, varies from 1.2 in senior citizen housing to 4.0 in large new subdivision housing. The requirements for most municipal services are directly related to population size, and per capita standards are used in budgeting and planning for growth. For example, road requirements are based on traffic projections which vary with the number of households and the size of the resident population. Hospitals are sized with reference to beds per thousand persons as is the police force and the resultant requirement for detachment space. Water and sewerage facilities are sized with reference to gallons per capita.

It therefore is more equitable and reasonable to establish a levy for typical low density housing development, and then to reduce that levy in proportion to the average occupancies of smaller, higher density housing units. It should be noted that the occupancy averages for the Region as a whole are lower than the low density factor adopted herein, for two reasons. First, the overall average embraces all unit types including apartments, with their lower occupancies. Second, the overall average includes older households where the children have left, or are starting to leave home, and their parents are moving into higher death rate age groupings. Development charges should be designed to be applicable to a unit in the first decade of its lifetime, because the Region must respond to this peak demand for services.

The following new unit occupancy averages have been adopted, based on demographic experience in Hamilton-Wentworth (Table 8-1) and elsewhere in Southern Ontario (Table 8-2). These averages understate the occupancy peaks reached for these types of housing units, but have been used in the development charge calculations in order to avoid allocating too high a

## 8. THE REGION'S DEVELOPMENT CHARGE POLICY

### 8.2 Differentiation by Size and Type of Development (Cont'd)

cost share to the new units involved. Thus, the differentiation in the residential development charge is based on the following occupancies:

	<u>Average Persons Per Unit</u>
Single, Semi-Detached, Row and Townhouse Dwellings	3.4
Apartments - 2 bedroom & larger	2.4
- 1 bedroom & bachelor	1.3

TABLE 8-1  
REGION OF HAMILTON-WENTWORTH  
1985 PERSONS PER UNIT BY UNIT TYPE IN DEVELOPING AREAS

	SINGLES				SEMI-DETACHED				TOWNHOUSES			
	<u>Units*</u>	<u>Pop.</u>	<u>P.P.U.</u>		<u>Units*</u>	<u>Pop.</u>	<u>P.P.U.</u>		<u>Units*</u>	<u>Pop.</u>	<u>P.P.U.</u>	
Stoney Creek	1,688	6,023	3.6		504	1,665	3.3		55	195	3.6	
Hamilton	1,232	4,376	3.6		396	1,456	3.7		758	2,575	3.4	
Flamborough	249	834	3.4		13	41	3.2		9	40	4.4	
Ancaster	959	3,355	3.5		23	73	3.2		42	96	2.3	
Total/Weighted Average	4,128	14,588	3.5		936	3,235	3.5		864	2,906	3.4	

Source: Compiled from Region of Hamilton-Wentworth 1985 Assessment Rolls.

\*Units included are from plans of subdivision registered since the end of 1975 in selected developing areas of each municipality.

TABLE 8-2  
 CITY OF MISSISSAUGA  
 PERSONS PER UNIT IN DEVELOPING PLANNING DISTRICTS

<u>Planning District</u>	<u>Single* Family</u>	<u>Semi-Detached</u>	<u>Owned</u>	<u>Townhouse Rented</u>	<u>Apartment Owned</u>	<u>Rented**</u>
Dundas-Fairview	3.3	3.8	3.2	-	2.1	2.2
Erin Mills South	3.5	3.5	3.0	3.1	2.6	2.7
Malton	3.8	4.1	3.7	3.9	2.8	2.5
Meadowvale West	3.3	3.5	3.2	-	2.3	2.1
Mississauga Meadows	3.8	3.7	3.3	-	2.4	2.4
Mississauga Valley	3.7	3.7	3.3	4.0	2.3	1.9
North - North Dixie	3.5	3.4	2.8	-	-	2.0
Weighted Average	3.5	3.8	3.2	3.3	2.4	2.2

\* Excluding mobile units.

\*\* Excluding Senior Citizens' units.

Source: Population and Housing Study, 1982, City of Mississauga Planning Department,  
January 1984.

## 8. THE REGION'S DEVELOPMENT CHARGE POLICY

### 8.3 Differentiation By Location of Development

Several major Ontario Municipal Board decisions on development charges, in recent years, have acknowledged the appropriateness of a uniform, averaged, municipal-wide charge. (For example, Lutzer, Emmitt and Wimpey). The appeal to Cabinet on the Bradford case has resulted in a very current statement of government policy on the matter, endorsing uniform development charges based on a reasonable relationship to the costs of growth. However, this relationship need not directly reflect the utilization of the service that is the subject of the levy. In accordance with the Bradford decision, development charge credits should be given where a developer installs equivalent, approved services. Finally, additional site specific charges may be imposed as well.

The Region of Hamilton-Wentworth has demonstrated its commitment to uniform charges, through policies such as uniform sewer and water rates. This approach is fundamental to all Regional development charges in Ontario, although additional surcharges are sometimes added to the basic levy.

It is recommended that Hamilton-Wentworth continue to charge a level amount per unit type, irrespective of municipal location, where services are provided. Where they are not provided, as in the case of storm sewerage outside of Hamilton, or sewerage or water in the rural areas, the charge should exclude the servicing component not provided. Roads, hospitals and general expenditures are considered services being provided equally to all residents of the Region.

Situations may arise within the Urban Service Area, where developers agree to make payments over and above the standard development charge (but credited against it) in order to assist the Region in "front-ending" costs and accelerating the provision of hard services. Similar situations may occur outside the Urban Service Area, where the Region requires or endorses localized servicing arrangements to be made.

Otherwise, it is understood that the same capital contribution is to be asked of all development (of the same type) irrespective of where it "taps into" the Regional sewer and water system.

## 8. THE REGION'S DEVELOPMENT CHARGE POLICY

### 8.4 Residential Charges By Legal Form of Development

Different mechanisms are used by the Region to collect development charges on various types of development. The following should form the bases for the Region's revised development charge policy:

1. Residential Subdivisions - Development charges are collected under Section 50 of the Planning Act and for water and sewer services abutting subdivisions, under a combination of the Planning Act and the Local Improvements Act;
2. Residential Condominiums - Development charges are collected under Section 50 of the Planning Act if part of a plan of subdivision, or under the Condominium Act if an individual development;
3. Severances - Development charges are collected under Section 52 of the Planning Act;
4. Residential Rezonings - There is no statutory basis for collection of development charges on rezonings, but many municipalities follow the practice at the approval stage, where the rezoning permits an increase in the number of units which may be developed on the site;
5. Infill (Lots of Record) - Special charges for water, sanitary or storm sewerage are imposed for residential buildings of more than two units in serviced areas, based on Section 215 of the Municipal Act. In some cases, it may be appropriate to impose charges for existing sewer works under Section 218 of the Municipal Act;
6. Commercial/Industrial Development - Local improvement charges are imposed in certain situations to recover hard servicing costs from commercial/industrial development.

## 8. THE REGION'S DEVELOPMENT CHARGE POLICY

### 8.5 Industrial/ Commercial Development Charges

The prospect of industrial/commercial levies was discussed in Section 5.3, in the context of the "Anticipated Impact of Development Charge Policy on Growth. Unquestionably, industrial/commercial development has occasioned significant growth-related capital expenditures by the Region of Hamilton-Wentworth. However, there are a variety of reasons which suggest that the Region's current policy of not imposing a uniform industrial/commercial development charge, be continued. These are as follows:

1. When commercial and industrial development was exempted from the heavy loading by-law in 1979, "The revenue reduction was to be compensated for via increased water and sanitary sewer rates to commercial and industrial users."
2. The municipal competition for industrial growth has increased over the years and Province-wide growth prospects are diminishing. With one minor exception, regional municipalities in Ontario do not impose development charges on this form of development. For Hamilton-Wentworth to do so would not assist it in its efforts to increase industrial land absorption.
3. Commercial/industrial development provides greater financial benefits to the Region than does residential development, in that it is more heavily property taxed and requires fewer Regional services. It is more heavily property-taxed since it is assessed at a higher percentage of market value, is charged for an additional 30-60% for business assessment and is, by statute, charged a 17.6% higher mill rate than is residential.

The demand for services by industrial/commercial development varies, but is very limited in the case of libraries, day care, homes for the aged and hospitals.

4. The Region of Hamilton-Wentworth owns and markets a good deal of the industrial land available in the Region. If the demand for industrial land in the Region ultimately increases, Regionally-owned land prices can be increased accordingly, with an appropriate share of the revenues earmarked as development charges.

## 8. THE REGION'S DEVELOPMENT CHARGE POLICY

### 8.6 Timing of Collection

Development collections in Ontario occur at subdivision agreement signing, or as late as receipt of building permit, or occasionally at lot sale. In some cases, they are payable gradually over a period of months or years following subdivision registration, whether building permits are taken out or not. In the Region of Hamilton-Wentworth, 50% of the development charges are collected at subdivision registration, with the balance to be paid one year later.

Payment at the building permit stage is more favourable for developers, as their carrying costs are reduced and financing is easier to arrange. Payment at the subdivision approval stage provides the Region with the funds at an early point so that the necessary construction can be undertaken, or interest earned on the reserve fund balance prior to construction. It also encourages the build-out of approved subdivisions by developers. Some or all of the lot levy collection occurs at the building permit stage in 75% of the municipalities imposing levies in Ontario.

In recognition of the significant increase contemplated in the Regional development charge, it is recommended that the collection timing schedule be further relaxed in order to mitigate cost increases imposed on the local development industry. 25% of the development charge should be paid "upfront" as a condition of subdivision approval, in order to provide the Region with funds and the industry with financial incentive to discourage dormant plans. The balance of the charge should be payable on issuance of building permits for the units involved, based on an arrangement with the area municipalities within the Region. This is more in line with practice in Ottawa-Carleton, Peel, Waterloo and, to some extent, Durham, Haldimand-Norfolk and Halton.

The development charges should be charged at the rate in force at the time they are paid, in order to put all development on the same footing. Otherwise, inequities and lost revenues are likely to occur.

The charge rates themselves should be updated on a scheduled annual basis; for example, May 1 each year. Figure 8-1 indicates several indices which can be used for this purpose. The Southam Index is the most widely used by municipalities in Ontario. An adjustment of this nature serves to keep the various charge

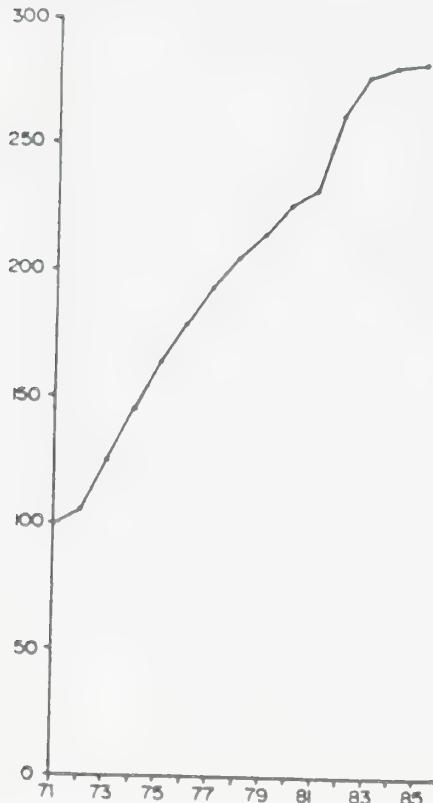
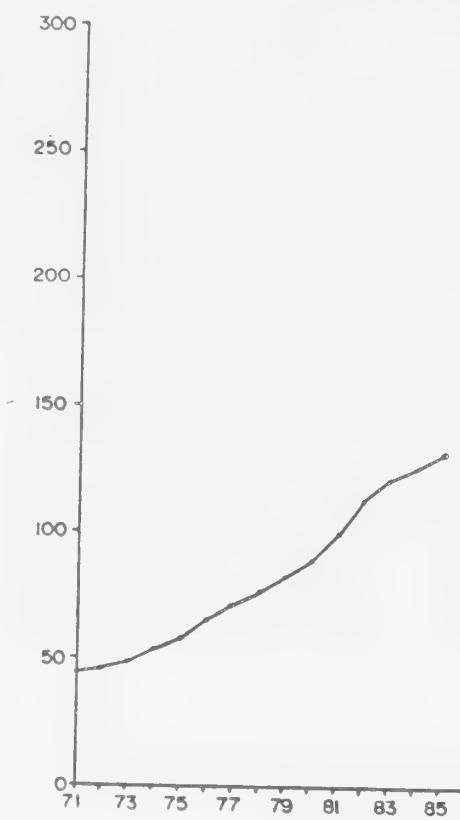
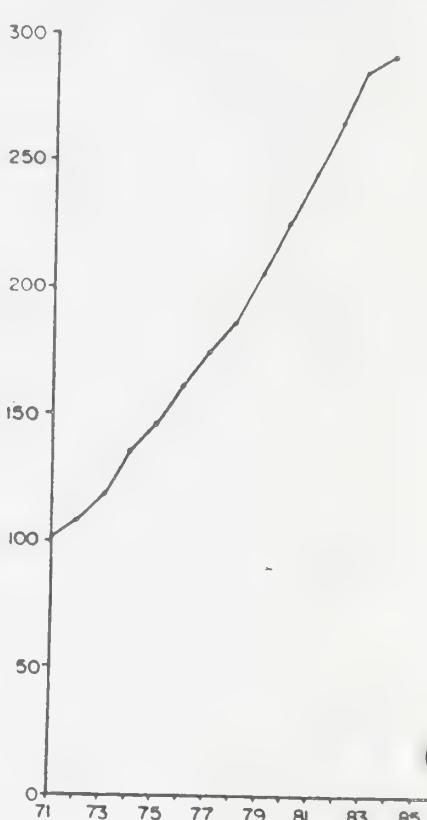
## 8. THE REGION'S DEVELOPMENT CHARGE POLICY

### 8.6 Timing of Collection (Cont'd)

components generally in line with the cost increases occurring over time in the construction of facilities. To leave the charge unadjusted for years, as the Region has done to date during the 1980's, is equivalent (in real terms) to decreasing it every year.

In addition to this annual adjustment, it is advisable for the Region to review the entire basis for its policy on a periodic basis, probably every third year, with the first review commencing in 1989. This would permit response to changes in development charge case decisions or legislation, Regional capital spending plans, Provincial grants, the rate, type or location of development, development community attitudes, inflation rates and economic prospects, etc. This review would permit any further adjustments in the charge to be made on the scheduled annual adjustment date. A schedule of reviews and modifications of this nature provides the Region and the development community with a desirable measure of stability and regularity in policy administration.

FIGURE 8-1

MAJOR PRICE INDICES - ANNUAL AVERAGESSoutham Construction Cost  
Composite Index  
OntarioConsumer Price Index  
Housing Component  
CanadaNon-Residential Building  
Construction  
Input Price Index  
Ontario% Incr.

1971 - 100	
1972 - 106.3	6.3
1973 - 125.1	17.7
1974 - 145.0	15.9
1975 - 164.9	13.7
1976 - 179.7	9.0
1977 - 193.2	7.5
1978 - 205.4	6.3
1979 - 214.5	4.4
1980 - 225.9	5.3
1981 - 241.5	6.9
1982 - 260.8	8.0
1983 - 277.7	6.5
1984 - 280.7	1.1
1985 - 281.6	0.3

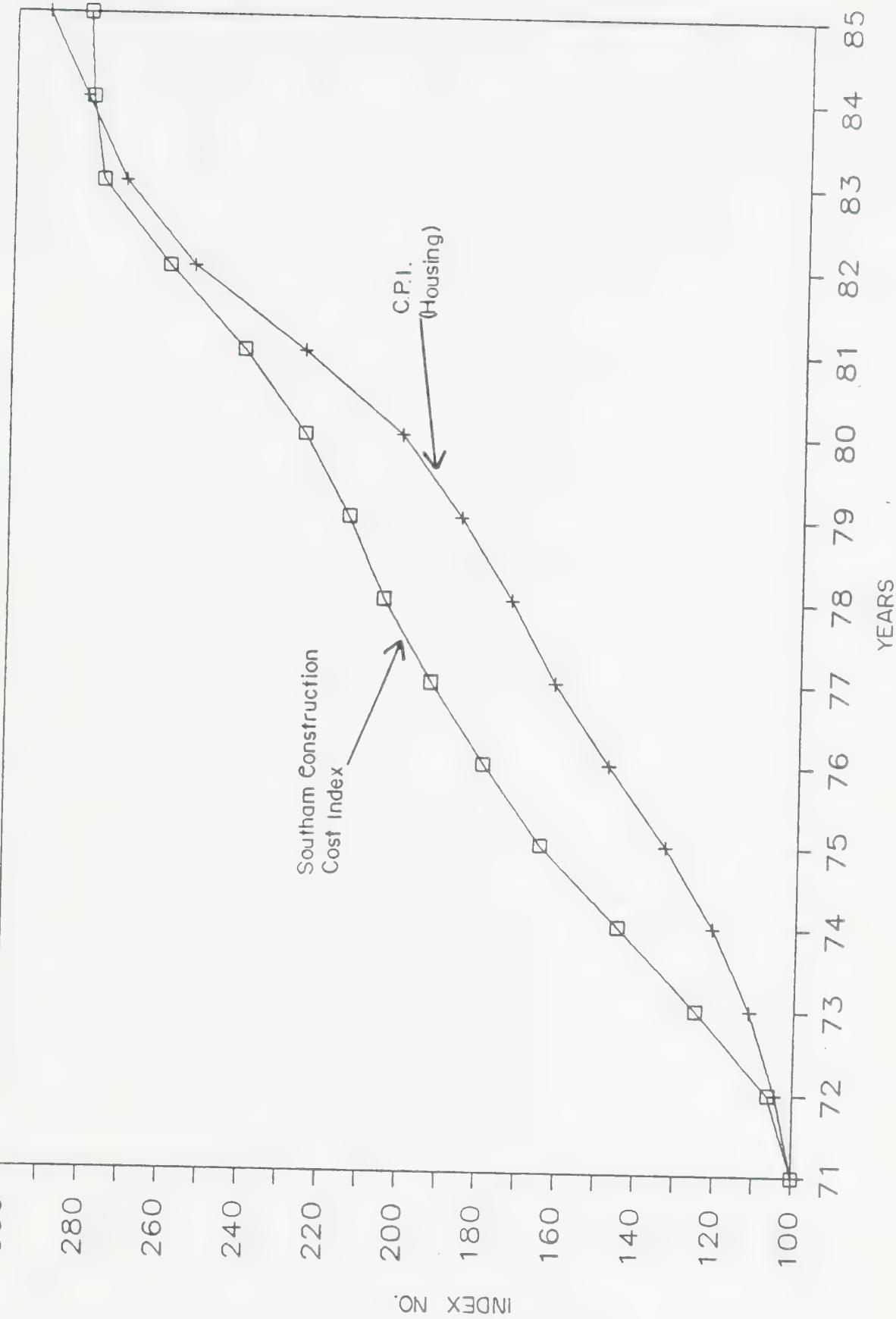
% Incr.

1971 - 44.2	
1972 - 46.2	4.5
1973 - 49.2	6.5
1974 - 53.5	8.7
1975 - 58.9	10.1
1976 - 65.4	11.0
1977 - 71.5	9.3
1978 - 76.9	7.6
1979 - 82.3	7.0
1980 - 89.0	8.1
1981 - 100	12.4
1982 - 112.5	12.5
1983 - 120.2	6.8
1984 - 124.7	3.7
1985 - 129.0	3.4

	<u>% Incr.</u>
1971 - 100.8	
1972 - 108.8	7.9
1973 - 118.1	8.5
1974 - 113.5	(3.9)
1975 - 146.6	29.2
1976 - 161.9	10.4
1977 - 174.4	7.7
1978 - 186.4	6.9
1979 - 207.7	11.4
1980 - 225.0	8.3
1981 - 245.5	9.1
1982 - 266.2	8.4
1983 - 284.7	6.9
1984 - 292.8	2.8
1985 - Discontinued	

FIGURE 8-2  
COMPARISON OF INFLATION INDICES

Annual Averages



SOURCE: Figure 8-1

## 8. THE REGION'S DEVELOPMENT CHARGE POLICY

### 8.7 Administration

One of the most important aspects of development charge administration is timely and accurate information as to the development involved and the charges thereon. Several types of information are involved, including:

- 1) A common data base on subdivisions and related local improvements, given the multiplicity of subdivision files maintained by the various departments involved and the diverse needs to draw planning, management and other information and statistics from this data base;
- 2) A system which automatically produces schedules and action requirements which trigger Regional staff responsibilities in development-related areas such as:
  - collection of the final percentage of the development charge;
  - removal of local improvement charges from taxes once a developer has commuted them;
  - letter of credit security adjustments;
  - Red Hill Creek Agreement payments;
  - one foot reserve recoveries;
  - recovery of Regional share of Federal sales tax rebates on piping, etc.;
  - commutation of local improvements on severance;
- 3) A system which assists in reconciling development charge data appearing in subdivision agreements to actual recoveries to reserve fund deposits and to the individual components of each reserve fund (sewer, water, roads, etc.), ultimately including spending. It should also provide more detailed information on individual financial transactions as a form of subsidiary ledger, in order to avoid the laborious requirement to return to source documents when even basic data is being compiled.

In our view, this type of computerized information and co-ordinating system would be most useful to the Region in assisting it to improve the accuracy and availability of data in this area. Such a system should be put in place in some form in 1986. Other

## 8. THE REGION'S DEVELOPMENT CHARGE POLICY

### 8.7 Administration (Cont'd)

Regions, for example, Ottawa-Carleton, have done so and Hamilton-Wentworth could benefit from this experience and possibly from the software involved. We see this type of system as being ideally suited for use by the Development Co-ordinating Committee and its need for up-to-date information.

## 8. THE REGION'S DEVELOPMENT CHARGE POLICY

### 8.8 Custody and Use of the Funds Generated

As suggested by the Urban Development Institute, "Municipalities must be accountable for the levy funds that are collected from developers. This is a fundamental requirement of any lot levy system. The developer and ultimately the new home buyer is being required to finance ... services and he/she should be able to satisfy himself that what he is paying for, has in fact been properly put in place and the he/she has not paid for something not received. A breakdown of the levy amount should be made available indicating the use to which the levy money is being put." (March 13, 1984, Position Paper, p. 7.)

A.M.O. also endorsed the maintenance of accountability for the lot levies collected, but advocated flexibility "... to permit municipalities to utilize funds for the growth-related expenditure with the highest municipal priority." (April, 1982, Position Paper, p. 2-3.)

In the case of the Region of Hamilton-Wentworth, six different development charge components should be accounted for as follows:

- Regional Sanitary Sewerage
- Regional Water
- Regional Storm Drainage
- Regional Roads
- Regional Cost Share for Subdivision Service Oversizing
- Regional Contribution to Hospitals

It would be desirable to maintain two separate reserve funds (one for Heavy Loading By-law recoveries and one for all other development charges) and to publish annually a full accounting for the collection and use of these capital contributions.

It is anticipated that development charge funds will be expended on a regular basis as applicable growth-related projects are being financed. This approach is in preference to one where the funds are simply left to accumulate for unspecified periods of time and purposes.

## 8. THE REGION'S DEVELOPMENT CHARGE POLICY

### 8.9 Exceptions and Exemptions

In at least one case (*Hay v. Town of Gravenhurst*), the Ontario Municipal Board expressed concern about a lack of the consistent application of the development charge policy and declined to impose the levy until a consistent policy was established. It is apparent that the Region should adopt a clear and comprehensive policy and apply it as consistently as possible. As economic and other conditions change and specific situations arise, the Region can re-examine its policy and possibly modify it. This could involve, for example:

- waiving an annual escalation point, in difficult economic times.
- adding or dropping a component of the charge, where spending requirements shift.

However, on an individual development by development basis, it is clear that the policy should be applied without exceptions. This can best be achieved if the Region adopts a clear and comprehensive policy and puts mechanisms in place to ensure that it is applied as consistently as possible. The recommended policy is contained in the "Executive Summary and Policy Recommendations" contained at the beginning of this report.

## 9. POLICY IMPLEMENTATION

## 9. POLICY IMPLEMENTATION

### 9.1 Phase-In of Charges

The increases in the Regional development charges set out in the "Executive Summary and Policy Recommendations" are substantial but warranted, given Hamilton-Wentworth's requirements. Under the circumstances, it is considered appropriate to give the local development community a "period of grace", where it can review the new policy vis a vis plans and commitments, before being obliged to contribute at the higher rate. This would also serve to reduce the number of vacant lots developed on the basis of the current charge, after the new charge is in effect.

This approach was used in Ottawa-Carleton where the Region newly established development charges in August, 1985 and increased them from zero to the recommended level in three stages - August 1985 (one third), January 1986 (two-thirds) and January 1987 (100%). We believe this to be a fair approach and one which enhances the acceptability of the policy. It also serves to provide a clearer framework for any area municipalities who are examining their own policies, if the Region announces its intentions early on and "stakes out" its portion of the development charge.

Accordingly, it is recommended that the current policy remain in force until four months following the date of policy adoption by Regional Council. At that point, the policy to be applied would incorporate 70% of the recommended rates. Sixteen months following policy adoption, the full rate would be instituted. This rate would increase with the Southam Index annually and be reviewed in 1989, including investigation of any impacts the policy was having on the local development industry.

## 9. POLICY IMPLEMENTATION

### 9.2 Response to Public Input

As indicated in Appendix C, the Region has maintained a continuing dialogue with the Hamilton and District Home Builders' Association (HUDAC) and others, on the subject of development charges. The letter of June 29, 1984 outlines several concessions made to the industry at that time in the interests of equity and facilitating development.

In June of 1985 HUDAC was alerted to the fact that the Region was commissioning a study of development charges and received a copy of the study terms of reference. An initial meeting of the Development Co-ordinating Committee with the consultant and three representatives of HUDAC occurred on October 2, 1985, in order to acquaint the consultant with the concerns of HUDAC at an early stage in the study. A variety of topics were touched on at that meeting, as indicated under "Suggested Discussion Topics" (p. C-5).- Meeting minutes, which were subsequently distributed to all in attendance, (and the consultant's notes) indicated the following as being the major concerns of HUDAC:

- o the sensitivity of the low end of the market (small singles, semis, townhouses) in Hamilton to increases in lot levies and competition from less expensive resales;
- o the timing of payment of lot levies. The Association prefers payment upon occupancy. There was also some discussion about whether the levy should fall on the developer or builder;
- o the need for a more flexible approach to obtaining servicing connections than via local improvements;
- o the phasing of increases, if any. It was suggested that any increase be implemented on January 1st, before the building season starts, and that significant increases should be phased in;
- o reduced levies for assisted housing or other specific categories of development. The Association opposes such reductions. It also does not want to subsidize industrial and commercial development.

## 9. POLICY IMPLEMENTATION

### 9.2 Response to Public Input (Cont'd)

It was indicated that HUDAC would have an opportunity to comment on this report after it was tabled (at that time thought to be in January, 1986).

A subsequent meeting was held with five HUDAC representatives on November 26, 1985. This meeting was attended by Messrs. Gartner and Hughes and the consultant. The meeting agenda (page C-9) set out ten discussion topics. Once again, minutes were subsequently distributed to those in attendance and they, together with the consultant's notes, provided the following input:

- discussion of potential development areas within the Region;
- an expectation of up to 2,000 housing starts annually in the Region, during the 1980's and declining in the 1990's;
- development charges are perceived as part of the land component of cost, having an impact on lot sales, not house sales;
- the Region and City of Hamilton were considered to be among the most helpful municipalities in Ontario with respect to development;
- the industry does not want to subsidize non-growth related works;
- the local industry consists of numerous relatively small firms, i.e. approximately 100 builders, 25-30 developers and approximately 50 developer/builders;
- the industry endorses the Region's current approach of paying for oversizing and does not favour front-end financing or a "best efforts" system;
- the industry is not against a square footage charge per lot or a factor relating population to different types of housing;
- the industry is willing to pay uniform levies Region-wide for specific growth-oriented projects (e.g. North-South/East-West Freeway and capital projects to open up new areas). It is not in favour of large amounts of money in reserve, however.

This input was carefully considered by the consultant in the course of arriving at the recommended policy. In addition, follow-up research was conducted with a variety of local realtors, as suggested by HUDAC representatives.



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